

# FINANCIAL TIMES

### Thaw begins between Peking and Moscow, Page 8

#### EUROPE'S BUSINESS NEWSPAPER

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|         |    |        |    |             |    |
|---------|----|--------|----|-------------|----|
| America | 20 | London | 10 | Stocks      | 10 |
| Asia    | 10 | Japan  | 10 | Commodities | 10 |
| Europe  | 10 | Italy  | 10 | Exchange    | 10 |
| France  | 10 | Spain  | 10 | Energy      | 10 |
| Germany | 10 | USA    | 10 | Real Estate | 10 |
| Italy   | 10 | Other  | 10 | Other       | 10 |
| Japan   | 10 |        |    |             |    |
| USA     | 10 |        |    |             |    |

## World news Business summary

### Australia closer to uranium shipments

Australia moved a step nearer lifting its ban on uranium sales to France, with the Labor Government winning crucial party support for the move.

Support from parliamentary members of the party was significant for the Government because the uranium ban had stood as a milestone to left-wing principles in an increasingly right-wing dominated Labor Government.

Shortly after the party's national congress, the ban had been reaffirmed as a part of the party's policy platform.

**Pakistan arrests**

Police arrested dozens of government opponents and troops patrolled southern Sindh province, virtually halting a week of political protests and riots which killed at least 17 people in Pakistan.

**US-Soviet debate**

Senior Soviet and American policymakers will meet at a Latvian resort next month for a week of debate on relations between Washington and Moscow.

**Smuggling scandal**

Former Soviet Deputy Foreign Trade Minister Vladimir Sushkov was arrested recently in connection with a smuggling scandal, the government daily Izvestia reported.

**Ugandan rebel raid**

The Ugandan government garrison in the strategic northern town of Gulu was attacked by 400 rebel soldiers left over from the disbanded armies of former governments. Thirty rebels and three government soldiers were killed.

**Manila holiday**

Manila city authorities declared a public holiday in the Philippine capital to mark the third anniversary of the murder of former Senator Benigno Aquino.

**Basque attacks**

Suspected Basque separatists set fire to two French cars in separate incidents near San Sebastian, northern Spain.

**Crime protest**

Three civil guards and one demonstrator were injured in a protest against street crime in La Union, southern Spain. Police used rubber bullets and tear gas after protestors barricaded a road.

**Refugee fines**

The West German government is considering fining refugees up to DM 2,000 (\$990) for each refugee flown into the country without a valid visitor's visa.

**Italian jet crashes**

An Italian F-104 military aircraft crashed and exploded near Gubbio, central Italy, killing the pilot.

**From China daily**

The official China Daily, China's only daily English-language newspaper, will be printed in London and distributed in western Europe from September 1. Pages will be transmitted daily by satellite to London.

**Birds threat**

Air traffic over Charles de Gaulle airport, Paris, has been threatened by an invasion of hundreds of seagulls. A jumbo jet was forced to turn back after birds were sucked into jet engines.

**Botham record**

Ian Botham set a new world record for test wickets - 357 - in England's third test against New Zealand, taking three wickets for 36 runs including one off his first ball. New Zealand were 142 for four after rain stopped play.

## Press lifts the veil on impact of South African emergency

SOUTH AFRICAN and foreign journalists are taking a brief and unexpected opportunity to report on the impact of the country's state of emergency without some of the inhibitions of the stringent press curbs which accompanied its imposition in June, writes Anthony Robinson in Cape Town.

The Cape Times and other South African newspapers took advantage of a chink in the armour of the emergency laws, revealed in a Natal Supreme Court ruling on Wednesday, to publish hitherto forbidden details of security force action.

They included descriptions of permanent road blocks in Cape Town's Greater Guguletu area, close to the Crossroads squatter camp, half razed in bloody fighting in May; police raids on shops, schools and funerals of unrest victims; and the arrest of trade unionists, political activists, priests and academics.

The reports helped to flesh out the bald list of over 8,500 names of people detained under the state of emergency, delivered to Parliament this week - a list which opposition leaders have already declared incomplete.

The Supreme Court ruled that comprehensive restrictions on the presence of reporters in black areas and on the conduct of the security forces had been improperly promulgated. The state is expected to move shortly to plug the gap, but in the meantime it is for the first time possible to describe the impact of the security laws.

The impact of the emergency regulations has been felt in townships across South Africa. An insight into life in black South Africa was provided yesterday in two visits which previously would have been banned, and on which I would not have been able to report.

Yesterday I visited the offices of a small textile workers' trade union whose leadership was arrested and detained for 37 days shortly after the state of emergency, and the Crossroads squatter camp to file this report on how the emergency has been applied.

The general secretary of the General Clothing Workers Union, a vigorous, humorous black lady, may not speak to the press or be quoted under the terms of her release from detention. But fellow leaders of the union, in a shabby shop front office close to Cape Town docks, said she had been arrested by police at home on the night of June 11, hours before the emergency was formally declared, and detained under Section 50 of the Internal Security Act.

Seven other people, four union organisers and three members of the union who happened to be in the office at the time, were arrested next day, shortly after two of them had addressed a union meeting at the Cape Underwear factory in the Cape Town suburbs.

Two police armoured cars turned up outside the union office and armed police broke into the premises. They arrested all present and took with them the union files, typewriters, a pamphlet printing machine and sweaters with "subversive slogans" like "an injury to one is an injury to all".

After a night in the dirty cells of the nearby Belleville police station they were all transferred to Pollsmoor jail, where Mr Nelson Mandela and other jailed African National Congress (ANC) leaders are kept. There they were interrogated about the union's aims, membership and source of funds.

At no stage were they physically mistreated in any way, although all complained about the poor food - a generalised complaint which was taken up by the authorities. Last week they ordered a better diet for all detainees after legal action on behalf of detainees. Six of the seven were released after 37 days in detention and the seventh, the only man among them, was released after 40 days.

Meanwhile, at Crossroads, double rolls of "razor wire" - the most modern form of barbed wire with a flat razor edged top - surrounds the acres of bare sandy soil which once was home to at least 70,000 inhabitants of the four squatter communities of "New Crossroads".

They were forcibly evicted in May after several days of bloody fighting between "radicals" and vigilantes, aided and abetted - according to sworn affidavits - by the security forces. A base camp for full of armoured cars and mass-armoured vehicles, has been created out of the former development board offices just down the road from the former camp.

The "Old Crossroads" section of the camp, inhabited by vigilantes, is as crowded and busy as any while army and police constantly patrol the area in armoured cars. But 500 yards away from the sandy remains of New Crossroads, on a patch of dense bush called "Brown's Farm" on private land designated for industrial development, a new squatter camp is being built out of sticks and plastic sheeting.

The builders are Crossroads refugees.

Continued on Page 10  
Security forces accused, Page 2

### PPG buys medical electronics groups

PPG INDUSTRIES of Pittsburgh announced the \$100m purchase of two medical electronics companies in the first diversification from its traditional glass, coatings and chemicals business. Page 11.

**UNILEVER**, Anglo-Dutch food and detergents group, said it held more than 40 per cent of the shares of Navaras International, Dutch flavours and fragrances company with which it is discussing a full takeover. Page 11.

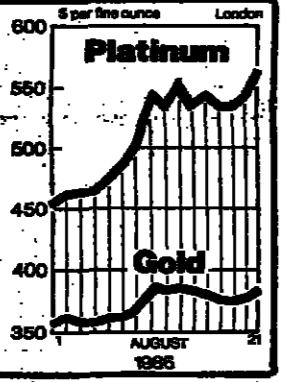
**WALL STREET:** The Dow Jones industrial average closed 0.14 down at 1,881.19. Page 28.

**TOKYO** stocks suffered their first fall in 11 sessions amid mounting concern over the high level of prices. The Nikkei market average fell 260.84 to 18,675.60. Page 28.

**LONDON** equities gave up an early advance as the Bank of England signalled that hopes of an immediate reduction in UK interest rates were premature. The FT Ordinary index ended 1.3 lower at 1,287.1. Page 28.

**DOLLAR** closed in New York at DM 2.0410, SF 1.6445, FF 6.6820 and Y153.05. It fell in London to DM 2.0415 (DM 2.0485); SF 1.6445 (SF 1.6455); FF 6.6825 (FF 6.6835); and Y153.15 (Y153.35). On Bank of England figures, the dollar's index fell to 110.5 from 110.04. Page 21.

**STERLING** closed in New York at \$1.4975. It fell in London to \$1.4985 (\$1.5045); DM 3.0690 (DM 3.0625); SF 2.6650 (SF 2.6775); FF 10.0200 (FF 10.0325); and Y229.50 (Y230.75). The pound's exchange rate index fell 0.2 to 71.7. Page 21.



## US presses Japan and Germany to cut interest rates

BY GEORGE GRAHAM IN LONDON AND DAVID BROWN IN FRANKFURT

WASHINGTON yesterday urged West Germany and Japan to reduce their interest rates, after the Federal Reserve Board's 1/2 point cut in the US discount rate on Wednesday had failed to bring an immediate response from other central banks.

Mr Larry Speakes, the White House spokesman, said the Administration "welcomes" the move but added pointedly that "we certainly do feel it would be helpful" if Japan and West Germany followed suit.

"We have always indicated that lower interest rates on the part of our trading partners would strengthen their economies," he said.

Japanese central bank officials yesterday appeared unmoved by the cut in the US rate to 5 1/2 per cent, the lowest level for nine years. The Fed's action, however, is expected to put greater pressure on West Germany's Bundesbank to cut its own discount rate, which has stood at 8 1/2 per cent since March.

German officials firmly denied that any special session of the central bank council, which must approve any discount rate move, was planned before the next regular meeting next Thursday. It has become clear, however, that the German decision on whether to cut rates need not depend on a similar move from Japan.

West Germany has resisted strong calls from the US administration for interest rate reductions to stimulate its economy, and did not follow the last US discount rate cut five weeks ago, despite barely

cent since the Plaza meeting of finance ministers of the Group of Five leading industrial nations in September 1985, which decided on concerted action to bring the dollar down in value.

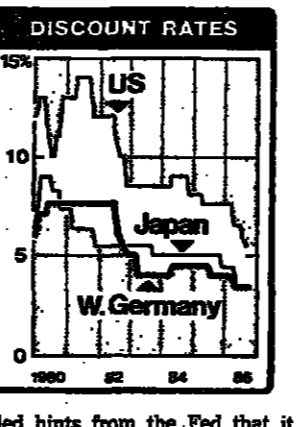
Despite the lack of matching moves by Japan and West Germany yesterday the US dollar managed to recoup some of its earlier losses in the immediate wake of the discount rate cut in European trading and was mixed in late New York trading.

As expected US short term interest rates were sharply lower with the overnight Fed funds rate dropping down to 5 1/2 per cent while Treasury bill rates dropped by up to 10 basis points to new 12-month lows.

In the equity market the Dow Jones industrial average closed 0.14 per cent lower on the day at 1,881.19 in moderately heavy trading with 136m shares changing hands on the New York Stock Exchange and declining stocks outnumbering those advancing by three to two.

Beyond the danger of a yet stronger D-Mark, however, West German officials recognise the need to provide some concrete support for the Reagan administration in its attempts to fend off protectionist sentiment in the US Congress.

Herr Hanns Christian Schroeder-Hohenwahr, president of the Federal Association of German Banks said the Bundesbank could cut in-



## Norway to ease North Sea oil taxes

By Lucy Kellaway in London

THE NORWEGIAN Government is expected to announce today a revised package of oil tax concessions, in a renewed effort to bolster flagging oil activity in the Norwegian sector of the North Sea.

The new measures will have important consequences for the Troll gas development, and should go some way towards pacifying Shell, the operator of the field, which has become increasingly restive about the economics of the project.

Earlier this summer the Norwegian signed a \$60m contract to sell Troll gas to a consortium of European buyers starting in 1990.

The deal was seen as a great strategic breakthrough and Norway is anxious that the development of the project should go smoothly.

Troll and an associated pipeline, perhaps through the UK sector, is likely to be discussed when Mrs Margaret Thatcher, the British Prime Minister, meets Mrs Gro Harlem Brundtland, the Norwegian Prime Minister in Oslo early next month.

Mr Peter Koesler, general manager of Norsk Shell, said last week that unless the Government improved its plans to reduce oil taxes, Shell might have to reconsider its position in the Troll development.

The most important concession likely to be announced today will reduce the burden of special tax - the Norwegian equivalent of the UK's petroleum revenue tax - by exempting 15 per cent of oil production.

## Design changes to be made at Soviet reactors

BY DAVID FISHLICK, SCIENCE EDITOR, IN LONDON

THE Soviet Union plans to make major changes to nuclear reactors of the type which ran out of control at Chernobyl in April.

These changes will be made although top Soviet nuclear officials blamed the accident almost entirely on human error.

Western nuclear experts say the changes foreshadowed for the RBMK-type reactors will be costly, but they believe they will be introduced gradually, when the reactors are shut down for planned maintenance.

The Soviet Union depends on this type of reactor for more than half of its nuclear power at present, with the balance met by the Soviet-designed pressurised water reactor.

A Soviet report submitted to the International Atomic Energy Agency as the basis for a "post mortem" by international nuclear experts in Vienna next week, lists the six most dangerous violations of operating procedures by Chernobyl staff, including the deliberate over-riding of main safety features during a test programme.

However, it acknowledges shortcomings - as well as several advantages - in the unique Soviet designed RBMK system.

The first shortcoming given is the possibility of the reactor developing a "positive void coefficient," meaning that there are operating conditions where it can suddenly get hotter.

This situation apparently arose during the accident sequence pieced together in the report, leading to the steam explosions.

Another weakness, the Soviets admit, is the reactor's sensitivity to any disturbance in core reactivity, necessitating complex controls to keep it stable.

They also cite the complexity of the system by which it raises steam to drive the turbo-generator, the amount of heat normally locked up in the reactor, and the fact that its steam is slightly radioactive.

Among the design changes foreseen for the RBMK are more control rods to help keep control of the reactor, and the locking of control rods in place round the periphery of the reactor, for the same reason.

In the longer term, the extra control rods will be replaced by using a more highly enriched fuel, containing 2.4 per cent of the fissile uranium-235 isotope, compared with 2 per cent at present. This measure will reduce, and perhaps eliminate, the problem of the positive void coefficient.

The Soviets also plan to put more instrumentation on these reactors. They acknowledge that the extra safety precautions will adversely affect the cost of electricity from the RBMK.

British nuclear engineers attending the Vienna "post mortem" said yesterday they found the Soviet accident scenario plausible and frank.

"We are hearing as full a story as we could have expected to hear," one said. But he stressed that it was a very different reactor from anything else in the world.

The report confirms a British belief that the RBMK is a touchy reactor.

Continued on Page 10  
Analysis, Page 2

## Hoechst and BASF earnings fall on dollar rate decline

BY DAVID BROWN IN FRANKFURT

HOECHST and BASF, two of the big three West German chemical groups, yesterday reported drops in both sales and earnings in the first half as the unsettling effects of the low US dollar rate and low oil prices took their toll.

The German chemicals industry officially expects business to stabilise at last year's high levels, but both Hoechst and BASF are depending on more robust domestic and European markets as well as more stable exchange and commodity prices to stem the slide in the second half.

At Hoechst, worldwide group turnover fell by 12 per cent to DM 19.56bn (\$9.5bn) from DM 22.1bn during the same period a year earlier.

Group pre-tax profit fell by 1 per cent to DM 1.83bn although second-quarter results showed an unspecified improvement over last year's figures.

Hoechst has already warned of possible lower earnings for 1986 after the buoyant DM 3.15bn achieved

last year but remains confident that the climate will improve in the second half.

At BASF, turnover fell by 5.3 per cent to DM 22.72bn, but pre-tax earnings slumped even more sharply by 18.1 per cent to DM 1.39bn.

The group expressed "optimism" in June that it would be able to recoup earnings by year's end - and still speaks of an expected "good development in the business climate" based on a solid order book, good order intake and an expected stabilisation of crude oil and exchange markets. The group reported profits of DM 3.04bn in 1985.

For both groups, much of the first-half decline was directly attributable to the low dollar rate (despite strong earnings in US subsidiaries) which has cut revenue and profits expressed in D-Marks and undercut competitiveness against dollar producers.

Lower oil prices led some customers to postpone purchases in the first quarter in the hope of cheaper chemical products, yet both groups

Continued on Page 10  
Commodities, Page 20

Continued on Page 10  
UK stock levels, Page 4; Analysis, Page 10; Lex, Page 10

|                             |            |
|-----------------------------|------------|
| CONTENTS                    |            |
| Europe                      | 2          |
| Companies                   | 11, 12, 13 |
| America                     | 3          |
| Companies                   | 11, 12     |
| Overseas                    | 2, 3       |
| Companies                   | 11, 12, 13 |
| World Trade                 | 4          |
| Britain                     | 4          |
| Companies                   | 14, 15     |
| Agriculture                 | 20         |
| Arts                        | 7          |
| World Guide                 | 6          |
| Commodities                 | 20         |
| Crossword                   | 17         |
| Cartoon                     | 21         |
| Editorial comment           | 8          |
| Eurobonds                   | 12         |
| Euro-options                | 24         |
| Financial Futures           | 21         |
| Gold                        | 28         |
| Intern. Capital Markets     | 13         |
| Letters                     | 9          |
| Lombard                     | 9          |
| Management                  | 5          |
| Market Monitors             | 28         |
| Men and Measures            | 8          |
| Money Markets               | 21         |
| Property                    | 6          |
| Raw Materials               | 20         |
| Stock markets - Bourses     | 25, 26     |
| Stock markets - Wall Street | 26, 28     |
| Stock markets - London      | 22, 25, 26 |
| Technology                  | 5          |
| Unit Trusts                 | 17-19      |
| Weather                     | 10         |

|  |    |
|--|----|
| West Germany: SPD at odds as poll approaches   | 2  |
| Australia: support for uranium exports         | 3  |
| Peugeot: gearing up for the world              | 4  |
| Technology: secrets behind the F-19 aircraft   | 5  |
| Management: IBM's manpower planning            | 5  |
| Editorial comment: Chernobyl; youth employment | 8  |
| China/Russia: first signs of a thaw            | 8  |
| Norway: dealing with an economic crisis        | 9  |
| Lombard: UK cement makers under attack         | 9  |
| Lex: TSB; interest rates; Unilever             | 10 |

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OVERSEAS NEWS

S. Africa security forces accused of harassing opponents

BY JIM JONES IN JOHANNESBURG

ANTI-APARTHEID groups yesterday took advantage of a suspension of press restrictions to publish claims that government security forces had taken part in a campaign of harassment and mass arrests of suspected opponents.

The admission by government lawyers in the Natal Supreme Court on Wednesday that emergency press restrictions had been improperly promulgated has temporarily allowed journalists to report on the activities of South Africa's police and army members since the declaration of a state of emergency on June 12.

Under the emergency regulations the only official source of information on security matters was the government Information Bureau of Information. It is expected that the press curbs will shortly be reimposed after correct promulgation, probably in a Government Gazette.

Among examples of episodes which previously have been affected by the press laws is the arrest at the end of July of about 1,200 municipal workers in the East and black township of Tembisa.

Southern African leaders meet to discuss sanctions

BY VICTOR MALLET IN LUANDA

AFRICAN LEADERS gathered in Angola yesterday for talks aimed at co-ordinating economic sanctions against South Africa while softening the blow such measures would cause to their own economies.

Uganda rebels repulsed in attack on garrison

BY OUR OWN CORRESPONDENT

A UGANDA army garrison in the strategic northern town of Gulu successfully repulsed a rebel attack on Monday night, the first of its kind since President Yoweri Museveni, leader of the country's National Resistance Army (NRA) won power in January.

The town had come under attack by a 400-strong force of former members of the disbanded army of ex-President Milton Obote, deposed in July 1980, and of the military council which succeeded him, led by Gen Tito Okello.

EUROPEAN NEWS

Chernobyl forces Moscow to rethink N-programme

BY OUR MOSCOW CORRESPONDENT

SENIOR SOVIET atomic energy officials said yesterday that the Chernobyl disaster had damaged their nuclear power programme badly and was forcing them to rethink the location, output and safety features of nuclear reactors.

At a news conference called to discuss the report on the accident submitted by Moscow to the International Atomic Energy Agency in Vienna, they said that 31 people had now died and 135,000 had been evacuated.

Mr. Andriank. Petrovskiy, chairman of the state committee on the use of atomic energy, and Academician Valery Legasov, a top nuclear scientist, blamed the accident almost entirely on human error.

Mr. Legasov, who will head the Soviet delegation when the IAEA meets to discuss the Chernobyl report in Vienna next week, said workers were conducting an experiment to see how long the turbine generator would keep running if the station experienced a total power failure.

The workers wanted to see how long the generator, normally powered by steam from the nuclear reactor, could keep running if the steam supply was cut off, Mr. Legasov said.

Mr. Legasov said that during an initial increase in the temperature of the reactor core, causing steam to build up inside the reactor and in the pipes leading from it.

The steam build-up was sufficient to destroy part of the reactor in an initial explosion, he said. Secondary explosions occurred when steam and hot reactor parts made contact with the air, leading to a number of chemical reactions. Two people were killed in the blasts, and 29 had died since radiation sickness.

Mr. Legasov confirmed that six key errors were made by workers:
- The number of control rods that could be inserted to shut down the reactor in an emergency was below permitted standards.
- The automatic controls for the reactor's power level were shut off.

MR VLADIMIR SUSHKOV, a former deputy Foreign Trade Minister who frequently met Western businessmen, has been arrested for customs violations, writes our Moscow Correspondent.

The Government newspaper Izvestia reported the arrest, which had long been rumoured following confirmation in January that Mr Sushkov no longer worked at the Foreign Trade Ministry.

Unsubstantiated reports then alleged that they had been involved in an attempt to smuggle Japanese electronic goods through customs at Moscow's Sheremetyevo Airport.

Since 1976, Mr Sushkov had been the Soviet chairman of the US-Soviet Trade and Economic Council, a group of American businessmen and Soviet state trading organisations formed to promote trade.

Izvestia indicated his arrest was one of several that followed a reorganisation of the Soviet customs last year. Among those also arrested is the head of the customs office in the Far Eastern port of Nakhodka which handles much of the trade with Japan.

He said officials were considering designing reactors in future to include safety systems that could not be overridden. Mr Petrovskiy said that "the lessons of Chernobyl, of course, cannot go unheeded" and confirmed that officials are re-considering current policies on reactor location and output.

Like the Chernobyl plant, many Soviet nuclear reactors are located close to residential areas.

The officials did not specify how badly the nuclear energy programme—the cornerstone of industrial development in the populated western part of the Soviet Union—had been affected by the accident.

Dr Leonid Ilyin, a senior health official monitoring medical consequences of the Chernobyl disaster, said 209 people were stricken by radiation sickness as a result. For the first time, he disclosed that 135,000 people were evacuated from an 18-mile zone around the plant and that limit which were never found to have been contaminated by radiation. All evacuees were given radiation checks and most would receive annual health check-ups for the rest of their lives.

Polish trade performance disappoints
BY LESLIE COLT IN WARSAW
POLAND IS unlikely to achieve the targets set in its trade agreement with the West, which it needs urgently to help service the mounting debt of \$31.3bn.

Mr Andrzej Wojcik, the Foreign Trade Minister, said in an interview that Poland had a hard currency surplus of \$850m in the first half of the year, \$170m short of target. This consisted of \$530m from trade with the West and \$300m in services and transfers.

East bloc amplifies on-site inspection offer

BY SARA WEBB IN STOCKHOLM

A SOVIET ally yesterday told the European Disarmament Conference here that the military exercises which Moscow agreed earlier this week could be inspected by foreign observers should they be subject to a higher threshold than those exercises merely notified internationally.

The conference has just four weeks to resolve a number of key issues on so-called confidence building measures, if it is not to end in failure.

Mr Wlodzimierz Konarski, the chief Polish delegate to the 35-country conference, suggested that instead of agreeing an annual quota of "observations", there should be a level of troops involved in an exercise above which it would be mandatory for the host country to invite observers.

This threshold would be higher than that required for notifications. Up till now, the Warsaw Pact countries have suggested annual quotas of observations whereas the Nato countries have said the annual notification should be a positive move.

Mr Konarski said the observer threshold would not be much higher than the notification threshold, possibly 20,000 and not more than 40,000.

A US spokesman said yesterday that if this was an indication that the East was prepared to lower the notification threshold, the observation threshold could be a positive move.

Mr Konarski said the observer threshold would not be much higher than the notification threshold, possibly 20,000 and not more than 40,000.

France to cut TV licence fee
BY DAVID MARSH IN PARIS
THE FRENCH Government is planning a 6.5 per cent cut in the television licence fee for next year in a move linked to the forthcoming privatisation of the country's oldest and largest state TV network, TF-1.

Mr Francois Leotard, the Culture and Communications Minister, forms part of the Government's overall plans to try to lower general state taxes and levies across the economy.

Inflation rate leaps in Spain

BY DAVID WHITE IN MADRID

SPAIN'S Socialist Government has received a serious blow to its economic plans from the latest consumer price figures, which indicate that inflation may be bucking the downward trend seen in other western countries.

A spurt of 1 per cent in consumer prices in July, according to provisional statistics, brings the cumulative total so far this year to 8.2 per cent, leaving little margin for keeping the yearly figure down to last year's 8.2 per cent.

The rate over the last 12 months now stands at 9.4 per cent, leaving a gap of more than seven points over Spain's main trading partner, France.

Spain's inflation differential against the then 10-member EEC narrowed to just over 3 per cent last year, but it has widened again since entry in January. An 8 per cent target—including allowance for Spain's new value added tax—has been a rigid plank of government policy for the first year of EEC membership, the aim being to halve the rate next year and bring inflation closer into line with the rest of the community.

Test ban has economic cost, says Moscow
BY DAVID BUCHAN
THE SOVIET decision to delay nuclear tests for a further six months to prompt the US into signing a reciprocal test ban carries economic as well as military costs for the Soviet Union, a senior Soviet official said yesterday.

Mr Leonid Zamyatin, ambassador to London and former chief Kremlin spokesman, said the test moratorium meant Moscow would not be exploding any nuclear devices on "certain large-scale projects where a lot of earth has to be moved," as it has done in the past under the limits of the 1976 Peaceful Nuclear Explosions Treaty.

In fact, the Kremlin has recently bowed to public objections and scrapped plans to divert Siberian river water to parched central Asia via a canal that might have been dug by such nuclear means. But the Soviet Union has also hollowed out gas and oil storage chambers with nuclear devices.

Mr Mikhail Gorbachev spoke only of the military costs, which he said were outweighed by the moratorium's diplomatic gains.

Company Notices

NOTICE TO SHAREHOLDERS
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NOTICE IS HEREBY GIVEN to the shareholders that the capital increase in January 1988, new scrip certificates with coupon Nos 21 to 26 will be delivered through DEN DANSKE BANK, COPENHAGEN HANDELSBANK, and PRIVATBANKEN, all domiciled in Copenhagen.

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Rupert Cornwell assesses the West German opposition party which holds its congress next week

BY DAVID MARSH IN PARIS

THE FRENCH Government is planning a 6.5 per cent cut in the television licence fee for next year in a move linked to the forthcoming privatisation of the country's oldest and largest state TV network, TF-1.

The licence reduction, put forward by Mr Francois Leotard, the Culture and Communications Minister, forms part of the Government's overall plans to try to lower general state taxes and levies across the economy.

Although the measure has still to be approved by parliament in the autumn's deliberation on next year's budget, Mr Leotard's plans would reduce the annual licence fee for the colour TV FR 506 (250) from FR 541 (254), and to FR 333 from FR 356 for a black-and-white set.

TF-1 is being allowed to increase its advertising "spots" from the autumn onwards to bolster its financial position ahead of the sale of its capital to private investors next year.

However, advertising revenues at the other two state channels—Antenne 2 and FR-3—are expected to rise only modestly next year. This means that the shortfall of several hundred million francs in licence income for the channels next year will almost certainly result in job cuts across the industry next year.

The Government claims that the three channels need to go through a phase of austerity after big increases in staff over the past few years, many of whom, it says, are not being used productively.

Mr Rau: reluctant
The Social Democrats can win with or without the support of the Greens.

SPD at odds as poll campaign nears

BY DAVID MARSH IN PARIS

MORE THAN 600 motions have been submitted for the congress of the West German opposition Social Democrat Party next week. Together they constitute a volume of 901 pages weighing over 5 lbs and taking, according to those who have braved the task, two days to read.

But this abundant fare before the 400 assembled delegates in Nuremberg is less notable as proof of enthusiasm at the grassroots than as a sign of the confusion which grips the SPD, just five months before the country elects a new federal Parliament in Bonn.

The campaign has yet to begin in earnest. But already the battle cry of Mr Johannes Rau, the party's candidate for Chancellor, of "reconciliation, not division," has a bitter ring.

For the immediate object of his therapy is less the electorate, which the Social Democrats would like to see as polarised between resentful workers and an arrogant Government, than his own uncertain and divided party. The atmosphere indeed is strangely redolent of Britain in 1983, when Labour fought an election foredoomed.

Proportional representation means that in West Germany the result will be closer than in the UK. Current opinion polls give the SPD and the radical Greens to their left 48 per cent of the vote, a figure theoretically well within striking range of the ruling Christian Democrats and their CSU and Free Democrat (FDP) allies. In practice, however, only incorrigible optimists believe that

place. And even the Chancellor's domestic misfortunes—a string of scandals in 1984 and his long personal embroilment in the Flick political payments affair—may have seen to the detriment of the SPD.

THE DOMESTIC market continues to provide the impetus for West German car production, accounting for a 2 per cent rise in output in the first seven months this year, writes David Brown in Frankfurt.

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OVERSEAS NEWS

Gorbachev likely to visit Japan in January

By Jurek Martin in Tokyo
MR Mikhail Gorbachev, the Soviet leader, will probably pay an official visit to Japan next January, according to Mr Yasuhiro Nakasone, the Japanese Prime Minister, who held an informal press conference yesterday.

If the trip comes off, it will be the first ever to Japan by a Soviet Communist Party Secretary General or President. Mr Nakasone issued a standing invitation to Mr Gorbachev earlier in the year and the Tokyo Government has been increasingly confident it would be accepted.

It would constitute a feather in the cap of the Japanese Prime Minister as an international statesman. Mr Nakasone sees himself as a potential bridge over the wide divide between the US and the Soviet Union, a unique role for a Japanese politician to aspire to.

There is no evidence, however, that the Gorbachev visit could result in a realignment of Japanese foreign policy which, until Mr Nakasone, has become even more firmly identified with the Western alliance than previously.

Two meetings this year between the former Foreign Minister, Mr Shintaro Abe, and his Soviet counterpart, Mr Eduard Shevardnadze, have failed to resolve the fundamental obstacle to closer Japan-Soviet connections, the status of the four Soviet-occupied islands claimed by Japan off the coast of Hokkaido.

Mr Nakasone will be obliged to raise this question in any meeting with Mr Gorbachev, much as Mr Abe did with Mr Shevardnadze twice. It is just conceivable, but still unlikely, that Mr Gorbachev has sent a signal to Mr Nakasone indicating a willingness at least to discuss the issue.

However, agreement to do so does not seem to be a precondition for the Gorbachev visit.

Hawke wins party support for uranium exports

BY RICHARD HUBBARD IN CANBERRA

UNDER INTENSE criticism from the left wing of its party, the Australian Labor Government yesterday won crucial party support for one of the most controversial measures in this week's 1986/1987 budget—the lifting of the ban on uranium sales to France.

The decision by the party to support the move was also politically significant, because it means that other tough spending cuts, which covered sensitive areas such as welfare and education, can now be expected to be approved.

Senior party officials called the unscheduled full-caucus meeting yesterday because of growing criticism from all factions of the party and outside it to the lifting of the uranium ban. Barely one month ago, at the national congress of the Australian Labor Party the ban had been reaffirmed as a part

of the policy platform of the party. The strong feelings within the party in favour of the ban were recently re-emphasised by the French Government's action in sinking an anti-nuclear protest vessel, Greenpeace, in New Zealand, and the resumption of underground nuclear testing at Mururoa Atol in the South Pacific.

Mr Bob Hawke, the Prime Minister, began the process of changing the party's attitude to the ban at separate meetings, of the left, centre-left and his own right-wing factions during the day.

At these meetings Mr Hawke emphasised that the ban had only had the effect of forcing the French Government to buy uranium on the spot market often at a cheaper price, than had been fixed in contracts with Australian mining companies.

Meanwhile Mr Hawke said the decision had created new tensions within the party and increased the level of discontent within all sections which will be dangerous to the Prime Minister as he tries to hold his support together through the forthcoming tough economic period.

Tamil militant demands independence on eve of peace talks

BY JOHN ELLIOTT IN NEW DELHI

SRI LANKA'S leading Tamil extremist has warned that a totally independent Tamil state will have to be created by force in the north and east of the island if there is to be a permanent solution to Sri Lanka's current ethnic violence.

Speaking in New Delhi on the eve of peace talks on a form of devolution to Tamil areas returning to the Sri Lankan capital of Colombo, Mr V. Prabhakaran, leader of the Liberation Tigers of Tamil Eelam, announced that attacks would not be launched while the talks were in progress.

He added: "In our mind it is too late for anything less than total independence, and it is impossible to get that by negotiation so it will have to be achieved by force." Together with other militant groups, Mr Prabhakaran's Tigers are preparing to oppose the Colombo initiative.

This statement from the leader of the group responsible for most of the militants' attacks in northern and eastern Sri Lanka, illustrates the large credibility gap between negotiators in Colombo and the extremists who have set the pace in the crisis in the past three years.

"We are preparing ourselves for the onslaught that President Jayawardene will launch on us once his talks have failed," said Mr Prabhakaran, a small, mild mannered man whose appearance belies his image as the Tamils' toughest guerrilla leader.

He rarely gives newspaper interviews and spends most of his time in hiding either in the southern Indian city of Madras or in Tamil areas of Sri Lanka.

He and leaders of other militant groups were called to New Delhi this week by the Ministry of External Affairs which has persuaded them to agree not to do anything that might upset the Colombo talks.

Civil war in Sudan highlights unsteady grip of Khartoum's new rulers

BY JOHN MURRAY BROWN, RECENTLY IN KHARTOUM

THREE months after elections ending 18 years of military rule, Sudan's civil war is threatening the survival of its new civilian administration.

For those in Khartoum for whom the conflict has until now seemed remote, this week's rebel rocket attack on a civilian aircraft brought home the uncomfortable reality of the conflict for perhaps the first time.

The attack also stopped relief efforts to avert food-stuffs to the estimated 2m Sudanese at risk from famine cut off by the war.

While welcoming the return of democracy, many Western diplomats in Khartoum feel it is an imperfect experiment, and has left the civilian Government ill-equipped to deal with the country's many problems.

The Government enjoys only a narrow based of support, representing a northern Moslem constituency in a country fighting over the claims of its non-Moslem southern minority.

Moreover the broad-based coalition led by Mr Sadiq el Mahdi is hamstrung by religious elements who object, in particular, to the rebels' demand for the abolition of Islamic Sharia law.

To add to the problems, the Government's relations with the military are at best indifferent, a dangerous thing in a country at war. At stake is the stability of Africa's largest country, which occupies a strategic position in the sensitive Horn of Africa where super-power rivalries overlap.

AMERICAN NEWS

Venezuela to tackle private sector's foreign debt problem

BY JOSEPH MANN IN CARACAS

THE VENEZUELAN Government has drawn up a series of economic measures that will have a significant impact on the repayment of several billion dollars of private sector foreign debt, local corporate taxes and claims against foreign oil companies.

The bills, currently being debated in Congress, form part of the economic adjustment programme under which the Social Democrat Government of President Jaime Lusinchi hopes to cope with sharply reduced oil revenues.

However, business reaction to the Government's main initiatives has been negative thus far, and foreign bankers say they have no clear picture of the Government's plans for handling the problem of private sector foreign obligations.

Mr Eduardo Fernandez, secretary-general of the principal opposition group, the Christian Democrat Party (COP), this week called for the resignation of the Government's senior ministers in the economic sector due to the what he described as the failure of their policies.

A key bill now being debated calls for the elimination of a government programme designed to help Venezuelan private companies chi loans in debts to foreign creditors, mostly financial institutions.

This programme, known by its Spanish initials as Fococan, got off to a bad start last month and was rejected by foreign banks who balked at the prospect of accepting long-term, low-interest Venezuelan bonds as payment for a large chunk of the local private sector's foreign debt.

After the banks made it clear the Fococan plan was unacceptable in its present form, the Government promised to develop a more acceptable plan.

But instead of reforming Fococan, the Lusinchi Administration made a surprise decision and asked Congress to scrap the legislation altogether. Congressmen are now working on a bill to abolish the fund.

Despite strong criticism from opposition parties, this bill—and other government legislative initiatives—are expected to be passed because the ruling Democratic Action party holds a strong majority in both Houses of Congress.

Foreign bankers in Caracas are concerned about \$7bn of private sector debts that have been ruled eligible for repayment under a subsidised exchange rate programme. With the elimination of Fococan, bankers are not sure what will happen.

"The Government has been very tight-lipped about the private debt question," one American banker said yesterday. "We really don't know what's going to happen."

Some information about the debt issue has appeared in the press in recent days. Mr Manuel Azpurua, Finance Minister, suggested in local newspapers that a previous plan—called exchange agreement no. 2—would be modified and used to help private companies repay foreign loans. He did not reveal the exchange rate that would be used or the length of time debtors would be allowed to repay their loans under the system.

In its original form, exchange agreement no. 2 allowed certain private sector debtors to amortise principal payments over five years starting at the beginning of this year.

One government party leader, Mr Carlos Canache Mata, told the press this period could be stretched to 12 years. But the Government wants to avoid guaranteeing highly favourable exchange rates for long periods.

The current rates applicable to payments of interest and principal on most "eligible" private sector loans is 7.50 bolivars per dollar, compared with a free market rate of close to 20 bolivars per dollar.

A Government initiative aimed at wiping out decade-old tax claims against former oil concessionaires, and at settling the issue of some \$375m owed to these companies, has provoked sharp opposition and is being reviewed by a joint congressional committee.

The Administration developed a plan whereby old tax claims against oil companies operating in Caracas prior to the 1976 nationalisation of the petroleum industry would be considered paid in return for approximately \$375m still owed to companies including Exxon, Royal Dutch/Shell, Gulf, Mobil and others for the takeover of their Venezuelan assets. The Government wishes to settle this issue, considered an embarrassment.

The dollars are being held by the Government in what it calls a "guarantee fund."

These adjustments would have to be made by "reducing official imports and asking for the refinancing of the foreign debt," he said.

"If oil prices keep above \$12 a barrel, then we expect to meet our obligations, but if it goes below this figure then public sector payments will have to be adjusted," he told Congress.

When he arrived in port last weekend, the captain of the trawler gave an exact longitude and latitude south-west of the islands where, he claimed, the incident occurred. If his location was correct it would place the trawler just outside the 150-mile zone. The FIPZ is measured not from the territorial limits of the islands, but is a circle encompassing Falkland Islands archipelago and centred on a spot between the two main islands.

The British version of the incident is that the trawler was inside not outside the FIPZ and that the jet's over-flight was nothing more than a "routine surveillance."

An Argentine Foreign Ministry communique released on Wednesday night referred to more than one such incident, saying that "the recent over-flights of Argentinean trawlers by aircraft of the Royal Air Force" had prompted Argentina's decision to protest formally to Mr Javier Perez de Cuellar.

Argentinean Foreign Ministry officials said there are indications that as much as \$600m (£395.8m) a year in narcotics money is channelled through the banking system in Panama.

Reports in the US press have linked Gen. Manuel Antonio Noriega, head of the Panamanian defence forces and the nation's de facto leader, to money laundering schemes. He has denied any wrongdoing.

Mr Luis A. Arias, General Director of the National Bank of Panama, which is both a commercial bank and the Government's clearing house for money, argued that the US estimate of money laundering, is exaggerated. But he added: "It would be very naive on my part to say there's no laundering."

Since the 1970 banking law, the number of banks in Panama has soared from single figures to the current 121 licensed by the Government.

At the end of last year, the banks had assets of about \$39bn. Deposits were about \$33bn, with foreign deposits totalling some \$28bn. Only about a dozen banks are owned by Panamanians.

Mr George Shultz, the US Secretary of State, is ready to go to the Middle East and attend the forthcoming Israeli-Egyptian summit, if he concludes that such a trip would be worthwhile, State Department officials said yesterday. Whether he will do so, however, is still under review.

The officials said there would be little point in Mr Shultz going to the summit if all it involved was standing and watching as Mr Shimon Peres, Israel's Prime Minister, and Mr Hosni Mubarak, Egypt's President, shook hands. He would want to know much more about the summit's agenda—and whether it would deal with broader Middle East peace issues—before making a final decision.

Washington is doubtful whether the meeting between Mr Peres and Mr Mubarak can be held as early as September 10, as some reports have suggested, although the US believes that it might be possible later in the month. Egypt will ultimately sign the compromise over the disputed Taba border strip in Washington's view, but will probably need some time to do so.

Mr Shultz's travel plans will depend on whether he feels he can achieve substantial diplomatic progress by attending the summit, and perhaps visiting other Middle Eastern countries, US officials say. But it is too early to assess whether that will be possible.

Mr Peres said last night that a summit with Mr Mubarak would most probably be held in the first half of September.

He was speaking after the return from Egypt of Avraham Tamir, director general of the premier's office, who conferred with Mr Mubarak about the proposed summit.

Egypt, which is much less enthusiastic about such a meeting than Israel, has said that agreement on an arbitration package to settle the Taba dispute was necessary before a summit could take place.

Israeli and Egyptian negotiators are near to final agreement on all material to be presented to the arbitration panel. An outstanding question is the choice of three independent referees among five who will adjudicate.

Low energy costs keep down US price index

By Reginald Dale, US Editor, in Washington

LOWER ENERGY costs kept US consumer prices stable last month and offset a sharp rise in food costs, the Labour Department reported yesterday. Both government and private economists, however, predicted that inflation would start rising at a moderate pace in the months ahead.

The July consumer price index was unchanged after increasing by 0.5 per cent in June and 0.2 per cent in May. For the first seven months of the year, the index fell by 0.2 per cent, the best showing since 1949.

Without a 4.1 per cent drop in energy costs, however, the index would have risen by 0.5 per cent in July. Food prices went up by 0.8 per cent, the sharpest increase since January 1984.

Most economists said that, with petrol prices expected to rise soon, the moderating effects of lower energy prices were about to come to an end. Other reasons for a renewed increase in prices were likely to be a slight pick-up in economic growth in the months ahead and higher import prices due to the falling value of the dollar.

Ecuador may seek refinancing if oil price falls

BY TIM COONE IN BUENOS AIRES

ARGENTINA is to make a formal protest through United Nations channels over an alleged incident in which an Argentinean trawler was "buzzed" earlier this month by a British jet close to the Falkland Islands.

According to the Argentinean Foreign Ministry, the trawler, which has been fishing on behalf of a Japanese-Argentinean joint venture, was "buzzed" several times on August 11 by a British jet when it was "sovereign" outside the Falkland Islands Protection Zone (FIPZ).

The Protection Zone was created in 1982 after the Falklands war to keep potentially hostile Argentinean ships from approaching too close.

When he arrived in port last weekend, the captain of the trawler gave an exact longitude and latitude south-west of the islands where, he claimed, the incident occurred. If his location was correct it would place the trawler just outside the 150-mile zone. The FIPZ is measured not from the territorial limits of the islands, but is a circle encompassing Falkland Islands archipelago and centred on a spot between the two main islands.

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Shultz may attend Egypt summit with Israel

By Reginald Dale in Washington and Tony Walker in Jerusalem

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UK NEWS

# Lonrho takes control of Shah's Today

BY DAVID THOMAS

MR EDDIE SHAH, chairman of Today, has said that he has surrendered overall control of the troubled daily newspaper to Lonrho, the UK-based conglomerate in a move linked to his acquisition of the Warrington Guardian group of provincial newspapers.

This appears to complete the shift of control from Mr Shah to Lonrho which has taken place since June when Lonrho rescued Today, a high-technology colour tabloid launched amid much fanfare in March.

Mr Shah yesterday bought the Warrington Guardian, a chain of 13 free and paid-for newspapers in north-west England for £5.3m.

To avoid a reference to the Monopolies and Mergers Commission, he has sold more than half his 51 per cent stake in Today to Lonrho, which owns the Observer national Sunday newspaper.

Lonrho took 35 per cent of Today's equity in June when it rescued the paper with more than £20m of financial backing. It will now hold more than 60 per cent of Today's shares.

A spokesman for Mr Shah said that Mr Shah's position at Today would not change. However, he said that Mr Shah would be concentrating initially more on his enlarged local newspaper group. Lonrho was unavailable for comment.

Mr Shah has been competing against the Warrington Guardian group for years with his Messenger series of free newspapers. He clinched the deal in the face of a rival, but lower offer from Reed International.

# ILG parts with brokers

BY LISA WOOD

INTERNATIONAL Leisure Group (ILG), the package holiday and hotel business, has severed its relationship of less than two years duration with Scrimgeour Vickers, the London-based stockbrokers.

They have parted company over a placing by Scrimgeour of ILG directors' shares in the company. Scrimgeour earlier this month succeeded, on a second attempt, in placing some 3.87m shares from the personal holdings of two directors and Mr Harry Goodman, chairman.

But a lower price appears to have been accepted than was sought when Scrimgeour first attempted to sell the shares a week earlier.

Mr Richard Fulford, Scrimgeour chairman, said: "They were not happy with the share placing, but there were difficulties."

An ILG spokesman said the company had been reviewing its broking needs for some time. Kleinwort Benson and its broking offshoot are looking after ILG's business on a day-to-day basis.

# Tory Party drops legal action against magazine editor

BY MICHAEL CASSELL, POLITICAL CORRESPONDENT

THE CONSERVATIVE Party yesterday agreed to drop all legal action against Mr Harry Phibbs, editor of the Tory student magazine that published an article accusing the Earl of Stockton - the former Prime Minister Mr Harold Macmillan - of "war crimes".

The decision came after Mr Phibbs had apologised unreservedly to the party and to Mr Norman Tebbit the party chairman, for publishing and distributing the controversial magazine. He also tendered his resignation as editor of New Agenda, the magazine which ran allegations that Mr Macmillan ordered back to the Soviet Union, to face certain death, 40,000 Cossack prisoners of war.

The article, written by Count Nikolai Tolstoy, the historian, and published in an official Conservative magazine, created immense embarrassment for the party. On Tuesday Mr Tebbit won a High Court injunction preventing distribution of New Agenda and issued a writ against Mr Phibbs and the magazine's printers for breach of contract, misrepresentation and libel.

Mr Phibbs was initially unrepentant about his actions but yesterday's announcement by Conservative Central Office followed hectic behind-the-scenes efforts to bring to an end an affair which both sides apparently realised had got out of hand.

The statement said that Mr Phibbs regretted not having won prior clearance from Conservative Central Office for publication of the article, and had resigned from New Agenda. He has also undertaken to retrieve and hand over to Tory headquarters as many as possible of the 1,000 copies of the magazines that had been distributed. Mr Phibbs expects to be able to recover most of them.

Mr Phibbs put out his own statement yesterday: "I have offered an unreserved apology to the party chairman. While I stand by my personal position on the substance of the Tolstoy interview, I recognise that it was wrong to include the interview, without permission, in an official party publication and in the face of clear legal advice as to its potential consequences for the Conservative Party."

## INDICATIONS THAT LONG RUNDOWN MAY BE NEAR TO END

# Industry's stock levels hit 12-year low

BY GEORGE GRAHAM

MANUFACTURERS have run their stock levels down to the lowest level since 1974 but the process of de-stocking now appears to have slowed almost to a halt.

Stocks of raw materials, finished goods and work in progress in manufacturing industry fell in the second quarter, the Department of Trade and Industry said yesterday. Their level in relation to manufacturing output continued the steady slide evident since 1980.

The fall in stocks was only slender - £2m at 1980 prices - after a six-month period in which manufacturers had reduced their stocks by £540m. Stocks of fuel and raw materials and of finished goods rose slightly but this was offset by the continued reduction in work in progress.

The slowdown will encourage the Government in its belief that some of the factors leading to sustained destocking may now be wearing thin.

That could mean that stock levels are now so low that when demand starts to materialise in the UK economy it will show up immediately in the form of higher output, rather than simply being absorbed by further destocking.

Retailers, in contrast to manufacturers, raised their stocks by about £186m in the second quarter, the seventh successive quarter of stock-building in this sector. The ratio of retail stocks to retail sales rose during the quarter and now stands at its highest level since the start of 1983.

Wholesalers destocked to the value of £226m in the quarter, after raising stocks by £306m in the first quarter.

The main influences which cause companies to vary their levels of stock are their expectations of output, prices and interest rates, according to the Treasury.

The Treasury believes that the general decline in the ratio of stock to output since 1982 may reflect a more cautious attitude by companies since the recession. There may also be some impact from new methods of inventory control.

A significant factor has been the rise in the real cost to companies of holding stocks. In the 1970s, interest rates were often lower than the rate of inflation. In addition, the appreciation in the value of stocks could be offset against corporation tax.

This stock relief was removed in the 1984 budget and interest rates are now substantially higher than the rate of inflation. These two factors have boosted the real annual cost of holding stocks, which was negative from 1972 to 1979 and then hovered close to zero until 1983, to about 12 per cent of the value of the stock.

Recent Treasury research suggests that every percentage point rise in the cost of stockholding will encourage manufacturers to reduce their stock levels over the long run by about £290m at 1980 prices. About 75 per cent of this effect will be felt by the end of the third year after the rise.

The same 1 percentage point increase in the cost of stockholding would be likely to induce a fall in distributors' stock levels of around £260m, with 60 per cent of the effect apparent within three years.

The ending of stock relief, which is estimated initially to have raised the cost of stockholding by about 5 percentage points, may therefore have contributed to a rundown in manufacturers' and distributors' stocks of around £2.75bn. This rundown may now be coming to an end the Treasury suggests.

# Manufacturers' capital spending dips after first-quarter surge

BY GEORGE GRAHAM

CAPITAL SPENDING by manufacturing industry fell back by 5 per cent in the second quarter after the surge in the early months of the year as companies hurried to invest before capital allowances were phased out under a Treasury ruling.

Manufacturers' spending, including leased assets, dipped to £1.73bn at 1980 prices, compared with £1.82bn in the first quarter, but the total was still nearly 4 per cent higher than in the same period of 1985, the Department of Trade and Industry said yesterday.

Spending by the construction, distribution and financial industries fell to £3bn in the second quarter from £3.14bn in the first, but was 6 per cent higher than the £2.83bn recorded in the second quarter of 1985.

The sharp drop from the first quarter was accounted for largely by a fall in leasing, which is particularly sensitive to the changes in tax allowances on capital spending.

The volume of investment by manufacturing industry in the last year was around 4 per cent higher than in the preceding 12 months, with spending on plant and machinery rising by nearly 1 per cent. Vehicle investment fell by 14 per cent and new building work dipped by about 4 per cent.

In the construction, financial and distribution industries, the volume of investment in the last 12 months was nearly 2 1/2 per cent higher than in the preceding period. Plant and machinery spending rose by almost 3 1/2 per cent and new building work by 4 per cent, but vehicle expenditure fell by over 7 per cent.

Leading indicators of the UK's economic performance still do not show whether recent weakness in growth will continue, the Central Statistical Office said yesterday.

The rise in the longer leading indicator, which is meant to show turning points in the economic cycle about a year in advance, rose in July, but mainly as a result of continued upward pressure from share prices.

# TSB cuts flotation underwriting costs

BY DAVID LASCELLES, BANKING CORRESPONDENT

THE TRUSTEE Savings Bank (TSB) has arranged special terms for its flotation which it expects will save it several million pounds in underwriting costs.

The bank's merchant bank advisers, Lazard Brothers, announced yesterday that the shares would be underwritten by investment institutions for a total commission of 1.175 per cent. This is well below the standard rate of 2 per cent.

In addition, the TSB is sufficiently confident that the issue will be a success to agree that Lazard will arrange for only 75 per cent to 80 per cent of the shares to be underwritten, rather than all of them as is usual. If any of the non-underwritten shares are not applied for, the TSB will simply not sell them and reduce the size of the issue accordingly.

The favourable terms reflect the underwriter's expectation that the issue, which is due next month and is expected to raise well over £1bn, will go well. The underwriters also stand to benefit if it is undersubscribed because the proposed reduction in the size of the issue will increase the earnings and assets attributable to the shares they hold. So their risk is smaller.

Lazard said yesterday that the arrangements had been agreed after consultations with the larger underwriting institutions. They had been made possible by the unique character of the TSB, which is selling shares for the first time and can therefore choose how many it wants to issue. Rowe and Pitman, broker to the issue, was also involved in devising the terms.

Lazard said that if the issue raised £1.25bn, underwriting costs on standard terms would be £25m. But underwriting 80 per cent of the issue on the TSB's terms would cost under £12m.

City of London institutions normally resist making concessions on commission rates. However, in the case of the TSB, they are vulnerable to accusations that the deal will bring them large profits for very little risk. Another reason for allowing concessions is that the uniqueness of the TSB flotation means no precedent is being set.

The arrangements exclude the shares which the TSB will hold to reward the loyalty of investors who do not sell for three years. They will receive one share for every 10 held.

Plans for the flotation will shortly be moving into their final phase. Next Wednesday, Lazard will issue the so-called pathfinder prospectus which will contain most of the information prospective investors will need, including a profit forecast for this year and the actual data of the issue. The price of the issue will not be announced until a few days before the flotation takes place.

See Page 10

# MGN to print China Daily in London

CHINA DAILY, the only English language newspaper in China, is to be published and printed in London by Mirror Group Newspapers (MGN). The pages will be transmitted to London by satellite (Intelsat) and printed on the same day as production in China. Chris Cragg writes.

The initial print run of the London edition will be 2,000, starting on September 1. The London cover price will be 80p for the eighth-page newspaper.

Half of the initial production run will be distributed to the capitals of Western Europe and the rest sold in the UK. MGN and China Daily hope that the circulation will rise to over 10,000.

China Daily is printed in Peking, Shanghai and Guangzhou, and transmitted by satellite for publication in Hong Kong, New York and San Francisco. The circulation in China is 85,000 copies a day with a further 15,000 copies distributed in the US and Hong Kong.

The deal is expected to be worth £750,000 a year to MGN. Once the paper is profitable, the profit will be divided equally between MGN and China Daily.

□ SUPERVISERS at Vauxhall Motor's plants at Luton and Ellesmere Port have voted to take industrial action next month unless the company improves its pension benefits.

A long-running row over pensions contributions has come to a head just as the General Motors UK subsidiary has launched a plan to introduce wide-ranging changes to working practices to cut costs.

□ JOHN BROWN Engineers has teamed up with Aker Engineering of Norway to set up joint companies to handle the management, design and engineering of offshore projects. Initially, the companies will work in the UK and Norway, but the agreement is aimed at leading the way to broader co-operation in the international offshore market.

□ MR COB STENHAM, finance director of Unilever, is to become European head of Bankers-Trust of the US. The newly created post at Bankers-Trust is that of executive chairman for the UK, Europe, the Middle East and Africa. Bankers-Trust said the appointment implied an upgrading of the region in the bank's strategy.

## WORLD TRADE NEWS

# New rules upset credit card companies

By Hilary Barnes in Copenhagen

THE international credit card companies fear that their position in the Danish and Norwegian markets is threatened by the actions of the regulatory authorities.

In Norway, the Finance Ministry told the card companies in July that they can no longer charge a commission from traders, such as shops and hotels, on card transactions, but the implementation of the ban was postponed until October while the views of the card companies were heard.

In Denmark, Mr Niels Wilhelm, the Industry Minister, is considering similar action, to take effect from the New Year, but nothing has yet been decided and he will be meeting the card companies in September.

The card companies say that a substantial part of their revenue arises from commissions, which vary from 2.5 to 5 per cent per transaction, and that if deprived of this revenue they may not be able to continue to operate in these markets.

"It is clear that we would have to consider our continued presence in the market," said Mr Per Ladegaard, Director of the Danish Eurocard company.

Mr John Duncan, Public Relations Manager for American Express in London, said there are three legs to the business - Danes using credit cards in Denmark, Danes using cards abroad, and visitors using cards in Denmark.

"We can't run the business if one of these three parts is not available, and we will not charge our card members, who already pay an annual fee, on a transaction basis," he said.

He said that the card companies bring high spenders and international income to these countries, which would lose the business if the card companies were pulled out.

Under both Danish and Norwegian law, which the companies say, has no parallel anywhere else in the world, the card companies are in principle not permitted to charge traders a commission on card transactions.

A Danish Industry Ministry official said that the motive for the rule is that if part of the cost of holding a credit card is passed onto traders, those who pay cash or use debit cards are having to subsidise cardholders' costs.

# Gatt members see little hope of Soviet role in talks

BY CHRISTIAN TYLER, TRADE EDITOR

A LAST-MINUTE request by the Soviet Union to be allowed to take part in forthcoming world trade negotiations even though it is not a member of the General Agreement on Tariffs and Trade (Gatt) has little chance of being granted, according to officials in Geneva yesterday.

The US, without declaring its formal response in advance, made it clear that Soviet participation would be unwelcome.

A spokesman for the US Trade Representative said: "We have no intention of that we see no benefit to the Gatt system by USSR participation given the fact that the Soviet international trading system is at fundamental, practical and philosophical variance with the principles and practices of Gatt."

British and EEC officials likewise questioned the wisdom of allowing the Soviet Union, which has not even applied for Gatt membership, to have any part in the renegotiation of world trade rules that is due to be launched by the 92 member countries in Punta del Este, Uruguay, in mid-September.

It was learned yesterday that four Comecon nations who are Gatt members - Czechoslovakia, Hungary, Poland and Romania - raised the question of Russian participation during a meeting of the Gatt preparatory committee in Geneva last month, but were turned down.

Officials said yesterday the question was constitutional rather than political. Nonetheless the fact that China, the other large Communist power, will be sending a delegation to the Gatt ministerial meeting next month is bound to sharpen the argument.

China formally applied last month to resume Gatt membership and its request is taken seriously by the free-market nations on the grounds that China has already loosened its state trading system to some extent.

In a letter last week to Mr Arthur Dunkel, director general of the Gatt, the Soviet mission in Geneva asked to be allowed onto the fringes of the negotiation to learn how Gatt worked before deciding whether to apply for membership.

The letter pointed to "prospective changes in the Soviet foreign trade regime" a reference to the economic and management reforms promised by Mr Mikhail Gorbachev, the Soviet leader.

An EEC official described the Soviet request as "a bit bizarre." He said it looked like an attempt to have a say in changing the rules of the club before deciding whether to join. The Chinese had at least shown they were ready to obey the present club rules.

Specifically, the Chinese have been made for the four East European Gatt members, whose foreign trade is in any case not very large. Czechoslovakia was a member before it had a Communist government and the others were let in during the era of détente.

It would be far harder, officials said, to accommodate the Soviet Union, the second or third largest economy in the world after the US and Japan, without undermining Gatt's commitment to preserve and extend an open trading system.



# US prop-fan aircraft makes maiden flight

BY MICHAEL DONNE, AEROSPACE CORRESPONDENT

A NEW type of aero-engine, the prop-fan, which is expected to revolutionise the world air transport industry in the 1990s, made its maiden flight yesterday in a Boeing 737 flying test-bed (above) in California.

Called the General Electric "Unducted Fan" or UDF, the engine embodies new designs of counter-rotating propellers harnessed to an improved, gearless gas-turbine engine.

The result is a big saving in fuel consumption of up to 25 per cent compared with new generating turbo-fan (jet) engines, or up to 40 per cent compared with today's jet engines.

The UDF engine has been under development for several years, and for the past year has undergone successful "proof of concept" tests on the ground at GE's Peabody, Ohio, test centre.

Boeing of the US is developing a new short-to-medium-range 150-seat twin-engine airliner, the 737, specifically to use the prop-fan, which it expects to enter service in 1991-92. Development is well advanced, and Boeing will start to solicit airline orders next year.

Yesterday's maiden flight of the UDF lasted 67 minutes, and during it the aircraft reached a height of 21,000 feet and a speed of 300 knots. The flight parameters will be progressively extended during the tests, which will last several months.

If they are as successful as GE hopes, the company will put the engine into full-scale development and production some time next year.

# Japan and S. Korea hit by fall in shipbuilding orders

BY ANDREW FISHER, SHIPPING CORRESPONDENT

WORLD shipbuilding orders slid further in the second quarter of this year, with both Japan and South Korea showing sizeable declines in the volume of work in their yards, Lloyd's Register of Shipping reported.

Its latest figures for the industry showed that total world orders were down further to 23.63m gross tonnes at the end of June from 24.27m tonnes in the first quarter.

New orders placed during the quarter totalled around 2.8m tonnes, which was some 800,000 tonnes less than actual output during the period. Nearly 90 per cent of the world order book is due for delivery by the end of next year.

The slump in orders - 10 years ago, they totalled nearly 70m tonnes - reflects the severe over-capacity on world shipping markets resulting from the extensive deliveries in prior years in all major sectors.

Most shipping companies have now stopped ordering, at least in large quantities, and many banks have become reluctant to provide new finance. Yards have thus been reducing capacity or closing. In West Germany, where the industry is in severe difficulty, order books fell by 207,000 tons to 411,000 tons.

## Michael Strutt reviews the fruits of the French company's restructuring

# Cycles Peugeot gears up the world

BY MICHAEL STRUTT

THE BICYCLE division of Peugeot, the French car manufacturer, is stepping up its drive to boost exports following a major restructuring of the division aimed at boosting profits from bicycle sales.

Peugeot makes two-thirds of the bicycles produced in France - 400,000 last year and exports half its home deliveries to other parts of the world.

The exports go mainly to the US, Canada and the northern European countries including the UK, but in smaller numbers to dozens more countries throughout the world.

The cycle division's performance, with production up slightly in 1984, has contributed to a turnaround in the fortunes of Cycles Peugeot, which also makes motorcycles, scooters and some car parts, all based on tube technology. Cycles Peugeot made a FF 32m (£3.2m) profit last year against FF 5m in 1984, with 1985 turnover at FF 2.5bn slightly up.

Mr William Deszars de Montgailhard, Cycles Peugeot's vice chairman, believes the company has turned a corner. "I am optimistic for the first time in two years," he says.

Peugeot has built 20m cycles since its beginnings in 1892 - building cars and motorcycles seven years later. It delivered 315,000 machines to its home market last year, slipping from 325,000 in 1984 in a rising market where cheap foreign imports sold in stores and hypermarkets ate into all French makers' sales.

But it is strongly placed among French cycle dealers: 40 per cent of them are exclusive franchisees, and the company discerns an improvement in demand at the quality end of the market, its own province.

About 2,100 cycles a day are turned out at the Romilly-sur-Seine factory, south-east of Paris, and another 150,000 a year, mainly racing models, at its specialist plant at Valenciennes, Alsace, where the Tour de France bikes are made.

In its drive towards greater efficiency, Peugeot's cyclemaking operation has been trimmed, paperwork cut back, production processes improved and the range, 100 basic models sold in 80 export markets, has been revitalised.

Mr Deszars says: "Peugeot is an old traditional company that needed a push forward. A very important way we have done this is by adopting Japanese work practices, studied in Japanese factories by Peugeot engineers."

For example, he has reduced our inventory from 100,000 bicycles three years ago to only 38,000 now. The priority is to only make cycles for which there are orders.

One of the hand-ches is the range of specifications required for different export markets. Apart from styling and component variations, there is a mass of differing regulations in the EEC alone.

The Romilly plant, a former washing machine factory, has modernised its equipment up-to-date automated equipment, with rotary brazing



Peugeot design the eight-gear Force Eight lightweight model to attract riders in the leisure sector

machines and a mudguard-making machine that forms stainless steel guards from strip at the rate of one per second. The first robot is at work and more are on the way.

A new automatic paint line, built last year, uses energy-saving infra red heating, and colours can be switched faster as different frames go through. It has halved the cost of painting them, says Mr Alain Baumann, director of cycle manufacture.

Peugeot has developed a process for internally brazing frames using tubes butted together instead of fitting the tubes into lugs. This creates a strong joint which is lighter, lighter and cheaper to make than 120s on lugged frames.

Last year Peugeot sold 107,000 machines in the US out of 9m, against competition from Schwinn, the big US maker, and Japanese importers such as Fuji and Miyata. But Mr Baumann believes that the FF 17m profit will suffer this year because of the franc's unfavourable rate against the dollar.

Its three most difficult markets in Europe are West Germany, the Netherlands and the UK. In Germany - 65,000 sales last year out of 3m - Peugeot has strong competition from Kalkhoff and Heidemann, and the low prices of German producers.

In Holland, the Dutch still prefer their traditional heavy bikes to French lightweight.

In the UK, Peugeot competes with Raleigh, whose 40 per cent share dominates the price structure. Still, Peugeot's 75,000 sales out of 1.5m in 1985 were up about 4,000 in a total market that fell 25 per cent because of the decline in BMX, and the French company was at number three behind Elswick Falcon at the year-end.

Peugeot now has 800 British dealers, a 10 per cent expansion in a year, according to Mr Laurant Binocle, managing director of its UK subsidiary. He predicts sales of 100,000 bikes this year on projected sales turnover of £8m against £5.2m.

Mr Binocle says that specialist sectors such as fitness and leisure must be tackled if the UK market is to grow. He is concentrating much of his marketing budget on backing his retailers to build the brand image and sell leisure machines in the £180 to £300 range.

Peugeot's optimism also stems from improvements to the range. Its carbon fibre racing frame is well-established, and a 100km machine is aimed at athletes in this growing sport, in common with other European and US makers.

Its Force 8, a commuter/leisure bike that incorporates a new eight-speed derailleur, and Turbo toy cycle, are expected to do well.

An inexpensive aluminium frame machine is on the way, as are two "fashion bikes," a cross-frame design that is Peugeot's version of a cycle made by Bridgestone of Japan, and a white "his" and "hers" Tans Club models. All represent the company's efforts to exploit gaps in the market.

MANAGEMENT

EDITED BY CHRISTOPHER LORENZ

IBM personnel

Manpower planning for the long term

In his study\* of changing UK industrial relations, Philip Bassett explains how the US computer giant operates without unions

IBM (UK) has never had enforced redundancies. It guarantees its employees a job for life. That job need not necessarily be the same job jobs will change as the company does, adapting to changes in the computer industry. This approach achieves two opposite, though not mutually exclusive, ends: it generates a feeling of security, and it insures an acceptance of change as a fact of employment. To meet its ambition, and to meet the changes in the market, the company has to operate detailed and long-range manpower planning systems, trying to adjust its intake to what it feels the market is likely to require (but its position in the industry makes it a dominant part of that market; to some extent, indeed perhaps more than most companies, it can shape the market as well as be shaped by them).

Not just in its restaurants is IBM single-status: in the main, all employees receive the same basic benefits, have the same conditions. There are two principal exceptions. First, though the company does not usually pay overtime ("Overtime is not encouraged as a way of life in IBM. Employees are advised not to rely on overtime earnings as a basic income"), it will pay it to "non-professional employees"—production workers, secretaries, clerical employees—where necessary, and where some employees, principally sales staff, need a car for their work; others get one as a perk—because they are doing a certain job at a certain level which would tend to be outside the industry to feature a car as part of its remuneration package.

But the company does not regard these as significant blows to its practice of single status; what it sees as much more important are the opportunities such status offers.

That both leads into, and stems from, the recognition that any employee can make contributions. Managers point with pride (and optimism) towards those for whom single status and equality of opportunity have combined, with spectacular success—Tony Cleaver, the chief executive, started as an education instructor, and Jim Miller, director of manufacturing, as a customer engineer. At a more global level, for instance, women make up almost a third of the company's workforce, and comprised in 1984 32.2 per cent of its professional workforce, though only 3.4 per cent of its management positions.

Pay is a central element in collective bargaining. Pay in IBM is not a collective matter for employees, though salary ranges are determined centrally

by the company, based on an annual confidential salary survey conducted by IBM among leading companies held by IBM to be comparable. Wage and economic forecasts are taken into account, and mid-points for the salary ranges are then arrived at by the addition of a certain percentage to bring the company's average above the external range.

The company carries out this exercise each autumn, but it is careful to impress upon its employees that increases are not given annually (though most fall in the 12-13-month period). Pay for all employees, other than sales staff, who work on a commission basis, is determined in this way.

Performance

But this exercise gives only overall pay boundaries. Individual line managers recommend increases for specific individuals, based on merit, and measured by performance. IBM runs two job-evaluation systems, one for professional and one for non-professional staff, which measure the value of jobs to the company. Performance of individuals is then assessed against this, with managers usually having the flexibility to pay within ± 5 per cent of the overall pay boundaries. Salary ranges run about 15-20 per cent above and below the IBM average at the top and bottom points of the scale.

Performance assessment is a well-established feature. Managers and individuals in their management unit meet to agree "reasonable" objectives for individual performance. Sometimes these are difficult to arrive at—objective, quantitative standards are hard to find for clerical or managerial work; and the system does place considerable reliance on employees being able to analyse their own performance and likely objectives. The employee signs the lengthy performance form with

the proviso that if the objectives, or the job, change during the performance period, then the criteria will be examined again. In addition, the system has built-in flexibilities: employees who are not performing well will be told by their line manager well before their 12 month review. At the review stage, employees are scored against their own objectives on a five-point basis, as well as providing the yardstick for pay movements, the system looks at performance more generally: those whose performance is rated at five (not acceptable) could eventually find themselves effectively sacked by the company (in fact, the employee in almost all cases leaves rather than is fired). But such cases are very few—less than 1 per cent of its already low labour turnover figure.

The centre of the company's communications systems is the manager-employee relationship. In addition to their occupational responsibilities for the work their section is doing, managers have in effect personnel responsibilities for the staff who work for them (that helps reduce the number of personnel specialists: 288 in all at the beginning of 1986). The ratio is kept deliberately tight; classically in IBM it is one to nine—one manager dealing with nine employees, though it varies according to work area; one to six in marketing, where employees are more mobile, and performance requirements greater, one to 14 in customer engineering, one to 17 in manufacturing.

All managers receive 40 days' training per year—32 of them on people management. "At the end of the day," says Steele, "it is the line manager who is responsible for his or her people—being his or her personnel manager." This is the key relationship for assessing performance, career prospects, concerns, though it is backed up with a range of other techniques—company newspapers,

financial updates, noticeboards, management information letters, departmental meetings. Employees are also encouraged to consult their second-line manager—their manager's manager—which acts as a check on the system, and on individuals operating it.

In addition, every two years the company mounts an extensive internal opinion survey, which draws very high response rates—89 per cent among managers, 96 per cent among employees. Each survey has about 100 questions, covering the employees' evaluation of the company, their satisfaction with their jobs, their rating of their duties and responsibilities, and the results provide the company with a constant management gauge of employee attitudes (over 20 years, if necessary), and of the company's own performance: two-way information.

What happens when this extensive system goes wrong? What happens when these personnel practices start producing dissatisfaction? If part of the function of a union at plant level is to negotiate pay and conditions, then another part is often to help employees over the hurdles of their employers' grievance system. In IBM, the emphasis is on managers resolving any problems. Sometimes, though, managers cannot or will not do so; sometimes, managers are part of all of the problem themselves. So the company has in place, throughout all its operations worldwide, two separate systems of complaint and appeal.

The first, called "Speak Up!", provides for employees to raise, in confidence, business-related problems. IBM (UK) currently receives about 1,000 a year, with three subjects in 1984 amounting to a third of all issues raised—office administration and procedure (16.6 per cent of the total), working environment (10 per cent) and cafeteria and vending machines (6.7 per cent). Virtually none is un-



The coffee lounge at IBM's North Harbour headquarters which were designed by Arup Associates

signed—though anonymity is permitted. They are dealt with by a Speak-Up co-ordinator, who will determine the answer to the query and send a written reply. If the points raised suggest a general difficulty, senior managers will ask for indications of their general source, for example a particular section of manufacturing, and deal with the specific problem.

Speak Up! letters towards the end of 1985 covered a range of issues, such as alleged discrimination against software ideas in the company's suggestions scheme—a scheme which saved the company some £496,000 in 1984; computer printer noise levels; the issue only of economy-class travel tickets; the lack of paintings and plants in the basement area of the company's South Bank building in central London.

The second system, Open Door, is more substantial, allowing an employee to appeal against a manager's decision. Most problems are resolved at middle- and senior-management level, after the investigator's interventions. The system is quick, too, the investigator has to speak to the people concerned within ten days of appointment and to tell the appellant if the decision will take longer than two weeks to reach—and why. Appeals may

go to any level in the company. "If in doubt: aim high," says Hugh ApSimon, former personnel policies manager with IBM (and with some experience of the system—twice as an appellant, twice as a manager being appealed against, and once as an investigator appointed to examine complaints). "You can go as high as you like. You should certainly go as high as you need."

In practice, managers appoint an investigator when they receive a complaint. If it is not possible for them to handle it personally, and that investigator is charged with the status of the relevant manager's office. In 1984, for instance, 19 Open Door cases were dealt with by the IBM UK chairman's office, divided as follows:

- Release/dismissal 3
- Employee-manager relations 3
- Company policies/practices 3
- Company policies/promotion 2
- Reassignments 2
- Pay/compensation 1
- Others 6

In these particular cases, 10 appeals, or just over half, were dismissed, four were upheld (21 per cent), with five still pending when the figures were compiled. For those which are dismissed, the whole procedure can then start again at a higher level—

Investigator

IBM is in some ways the exception to the non-union rule, and the basis of it. It was not without significance that the Conservative Government called in Len Peach, John Steele's predecessor as IBM personnel director, to restructure personnel and industrial relations in the National Health Service. Other companies, looking at IBM's industrially harmonious, strike-free, non-union record, have asked how they could emulate it. Peach replied to one: "You start 30 years ago."

\*Strike Free: New Industrial Relations in Britain, by Philip Bassett, Macmillan, £10.95. Reprinted by permission of Macmillan, London. To be published on August 28.

Management abstracts

The Gains and Pitfalls of Countertrade. D. D. Shipley and C. W. Nettle in Industrial Management and Data Systems (UK), March/April 86 (3) pages.

Present pros and cons of countertrade which covers the financing of transactions through eg barter deals and counter-purchases. Estimates suggest that countertrade arrangements account for roughly a quarter of world trade with an annual value in excess of \$100bn. Outlines guidelines for would-be countertraders, stressing that caution, prudence, and sound decision criteria are necessary if the inherent risks are to be avoided.

Excuses for Not Using Just In Time. R. C. Walleigh in Harvard Business Review (US), March/April 86 (3) pages.

Counters excuses offered to explain company inactivity and failure to adopt just-in-time production and inventory. Excuses include "our suppliers won't support it," "we will always have back orders and production will be late," "our materials planning system won't allow it," and "we'll lose control of inventory"—and there are more.

The Control of Substances Hazardous to Health. A. Crawford and others in Health and Safety at Work (UK), April 86 (5) pages.

Four related articles about the proposed COSHH Regulations: (1) examines the cost/protection conflict, arising as a result of the response to the Health and Safety Commission's consultative document on the regulations and which could lead to changes in emphasis; (2) reports professional concern at the lack of definition of a "competent person" to assess risks, the standard of provisions for small firms, and the "emotive" treatment of carcinogens; (3) reviews the role of the Advisory Committee on Toxic Substances, in particular on occupational exposure limits; (4) discusses a report on how chemical and other substances at work lead to reproductive hazards for both men and women.

These abstracts are condensed from the abstracting journals published by Anbar Management Publications. Licensed copies of the original articles may be obtained at a cost of £4 each (including VAT and p+p; cash with order) from Anbar, PO Box 23, Wembley HA9 8DU.

TECHNOLOGY

Michael Donne delves into the secret technology behind the F-19 aircraft

Uncloaking the mystery of the stealth machine

THE possibility of developing military aircraft capable of penetrating enemy defences undetected until the last moment has attracted the minds of military authorities and aerospace designers for many years. Much of the progress already achieved in advanced military aircraft technology is due to efforts to meet this goal. The cloak of strict secrecy thrown round the crash near Bakersfield, California, of a US Air Force development aircraft July 11 was so abnormal (with even local firemen being asked to sign documents that they would not talk about what they saw), that it has inevitably given rise to speculation that the aircraft was an F-19, one of a number of aircraft designed specifically for "stealth" operations.

Neither the US Defense Department nor the US Air Force has ever admitted to any aircraft designated F-19, or even publicly acknowledged that there is a specific "stealth" aircraft. Even Congress does not know where the budgets for such a venture are buried in the vast array of military

But total secrecy is almost impossible to maintain

accounts it is asked to approve annually.

But total secrecy on such a programme is almost impossible to maintain, and most US aerospace industry sources now accept that such a programme is under way, and that several aircraft embodying "stealth" have been developed.

It would be surprising if they had not, because the Soviet Union is known to be working hard in this area of technology, and the US and its Western allies cannot allow themselves to fall behind.

There is, indeed, no magic in

"stealth." It is part of the never-ending escalation of counter-measures in defence research and development—trying to fathom what the enemy can do, and then trying to outwit him.

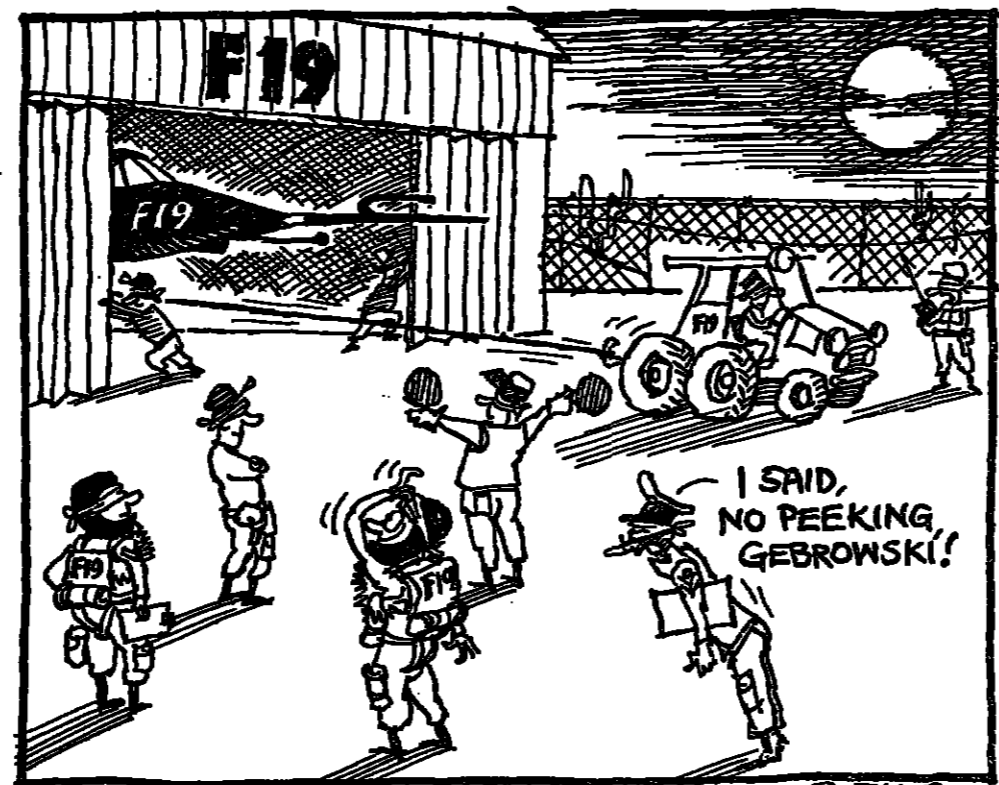
As applied to military aircraft, "stealth" means simply the ability to approach enemy targets as closely as possible before detection, so as to achieve the basic requirement of all military operations—surprise—and hopefully also a successful mission and subsequent escape.

The need for "stealth" has thus grown with the increasing capabilities of detection systems, such as ground-based radars and other sensors, airborne early warning aircraft and satellite systems, as well as defensive weapons systems such as ground-to-air missiles and high-speed, high altitude defensive fighters.

Because many enemy installations can be pin-pointed and destroyed by long-range strategic missiles, nuclear or otherwise, a "stealth" aircraft is generally accepted as being a tactical weapons system—that is, more likely to be used for battlefield support, by striking behind the enemy's lines at supply and other installations, rather than for long-range strategic bombing. But such aircraft must also have an air-to-air combat capability, with high-altitude performance, and must thus be designed as a multi-role vehicle, with defensive as well as offensive weapons systems.

An aircraft of this type must have many other attributes. It must have the aerodynamic shape designed to reduce its vulnerability to radar detection—its radar "signature" must be as small as possible, so its shape needs to be mostly of curves with few sharp edges.

It must be built with materials that either confuse or deflect radar signals and it must be fast, preferably supersonic, with high-power engines so designed



and mounted that they make minimum noise, while their hot exhaust gases must also be directed down to avoid detection by infrared sensors. Its weapons load must be carried internally as far as possible, again to help reduce the radar signature and maintain high speed.

It must also have a range sufficient to penetrate deeply into enemy territory, and get back again, with the ability to fight if necessary. It must, therefore, carry defensive as well as offensive weapons.

All these requirements are well understood by aerospace designers. In one way or another, many of them have been, and are being, incorporated on the latest generation of advanced combat aircraft now either under development or planned, such as the Eurofighter in Europe, and the prospective US Advanced Tactical Fighter (ATF) and Northrop Advanced Technology Bomber (ATB).

What makes the F-19 (if, indeed, that is the designation of the crashed US mystery aircraft) so interesting is that many US aerospace industry sources believe it to be the first that incorporates in one machine virtually all of these many requirements, in a unique design.

The latest issue of Jane's All The World's Aircraft describes the F-19 as a "covert, surviv-

able, all weather reconnaissance and strike aircraft" or Cosirs.

It is under development by Lockheed of California, under contracts from the Defense Advanced Research Projects Agency and the US Air Force. Lockheed's famous "Skunk Works" at Burbank, California, has been responsible for some dramatic new designs in the past, including the original U-2 high-altitude strategic spy aircraft, and more recently, the TR-1A single-seat high-altitude tactical surveillance and reconnaissance aircraft.

The F-19 goes beyond those designs, however, and is said to be a single-seat fighter/reconnaissance aircraft with "low radar, infra-red and optical signatures," powered by two General Electric F-404-GE-400 turbo-fan engines of 16,000 lbs thrust each, giving a speed of over twice that of sound.

The first F-19 is said to have flown as far back as 1977, but that was probably an experimental version, with subsequent models being much refined, for over the past few years aerospace technology has accelerated rapidly. Current reports suggest that as many as 40 F-19s may have been built.

So far, however, none have been seen in service. No official information about the F-19 has been released, and those pictures published purporting to be the aircraft are only artists'

"guesses" which may bear no resemblance to the real machine. Futuristically shaped models on sale in US toy shops, called the F-19, are probably also no more than guesses.

So speculation persists. Such flying of F-19s as has been done has occurred in areas either remote from or banned to, civil flying and at times of day when prying eyes could be avoided.

The exceptional security measures surrounding the crash in early July indicate that the US Air Force is not yet ready to unveil its latest

No official information about the F-19 has been released

venture, probably because the test programme is far from complete.

It could even have run into some snags, which might have accounted for the recent crash.

Until the US Air Force is ready to talk, speculation will continue. The only thing that the July 11 crash appears to have proved is that a new generation of high-speed, all-weather tactical reconnaissance and strike aircraft, embodying unique advances in aerodynamic design, power-plant technology and avionics systems is on the way.

Testing vehicles by electronics

CAR TESTING by electronics is becoming increasingly important at the manufacturing stage, allowing faster checking of today's more complex vehicles and raising quality.

For example, the new Rover 800 has a 40 per cent higher electrical content than earlier models so Ferranti Computer Systems and GR Electronics have devised systems based on an Argus microcomputer to which Ferranti personal computers at test stations, are connected over a broadband (high data capacity) network.

In turn, each test station has GRE "roving" hand-held terminals which can plug into it to receive instructions depending on what model is to be tested. Unplugged, the roving terminal is then used by the technician to probe various spots on the vehicle wiring based on instructions he sees on a small display.

In another project, Schenck Autosec of Leicester, UK, a subsidiary of Carl Schenck of Darmstadt, Germany, recently won a £7.5m order from Jaguar Cars probably the largest single automotive testing order to be placed in Europe.

This equipment is concerned with engine testing and can deal with the total output of V12 and A8 engine variants in 19 test cells fed by overhead conveyors. The engines are "plugged in" to the cells to provide exhaust and water connections, a dynamometer (power output measurement system) connection and electrical umbilicals to the control and measurement systems.

LASER PRINTER sales are on the increase in Europe

as the daisywheel business is dropping. A survey by International Data Corporation (IDC).

In 1985, daisywheel sales were 215,000 units, down 27 per cent from 296,150 in 1984. But in complete contrast, there was a massive nine-fold increase in sales of lower-cost laser printers to 48,500 units last year. IDC thinks the daisywheel market is being squeezed on two fronts—by a new generation of dot matrix machines

capable of typewriter-like quality on the one hand and by the low-end laser printers on the other. But a new breed of thermal transfer machines, typified by the IBM Quietwriter, is also gaining ground. More from IDC in London on 955 8852.

COIN COUNTING, with the rejection of "duds," is achieved at ten coils a second in a new machine from Cash and Security Equipment, St Albans, UK (0727 68203).

Called Titan 2408, the machine determines exact metallic composition by an electronic method which measures the decay rate of eddy currents induced into each coin. (Small "eddy" currents flow in various directions in the metal placed in an alternating magnetic field and die away when the field is removed).

WORTH WATCHING Edited by Geoff Cherrish

An advantage is that if foreign coins of the same size and weight are presented, they will be rejected on the basis of their composition. The machine will simultaneously sort, validate, count, bag, batch and count up to 32 different coins of up to eight different denominations.

SECURITY PAPER has been introduced by Rank Xerox in the fight against forgery of commercial, government and legal documents.

According to Lloyds Shipping Information Service, an annual world loss of £4bn is attributable to forgery of documents, ranging from false examination certificates to counterfeit bills of lading that enable criminals to sell the same cargo several times over.

The main security feature of the paper is the printed background which prevents counterfeiting because the colours cannot be separated and reproduced. Also the word "COPY" appears under certain lighting conditions. More on 0895 5113.

DO YOU LOSE MONEY IF YOUR COMPUTER FAILS? Stratus FAULT TOLERANT COMPUTERS 01-248 8383

Plastics manufacture

CO-EXTRUSION of composite plastic layers into blow-moulded containers 10 litres capacity has been demonstrated by Krupp Kautex Maschinenbau in Germany.

Claimed to be the largest container to be made by continuous co-extrusion, the walls consist of six layers, including a layer made from recycled material.

In general, the layers can be varied to suit the demands of the fill material and to meet optical, chemical and mechanical requirements. For example, a barrier layer can give high chemical resistance, reduce permeation and oxidation and make sure that the contents are not affected. Other layers can produce a smooth external surface for better printing/labeling, scratch resistance, anti-breakage properties, rigidity, and resistance to deformation in hot filling. Krupp is in Essen on 188 2822.

THREE SEMICONDUCTOR companies, Siemens of West Germany, Toshiba of Japan and US General Electric, have agreed jointly to develop common standard cell libraries for semi-custom silicon chips. Such chips are made by amalgamating standard circuit elements or cells, via computer-aided design, into an application-specific circuit. They are becoming increasingly important in the electronics industry.

NEW PCB (printed circuit board) design and engineering software is offered by Calma, a subsidiary of US General Electric with UK offices in Camberley, Surrey (0276 682821).

Three new packages, for use on Apollo and Calma workstations, form a complete PCB pre-production system for design, layout, simulation, computer-aided manufacture and test development. They provide a fully integrated and flexible approach to PCB design, claims Calma.

THE PROPERTY MARKET BY WILLIAM COCHRANE

THE ARTS

SECURITISATION

Salomon team breaks new ground

SALOMON Brothers, the international investment bankers, broke new ground in New York this week with their \$147m (£99m), EQK Green Acres station.

Promotion

The promotion team for this offer involves Salomon, Equitable Life — the third largest insurer in the US and, until now, owner of the property — and Kravco, a company which manages 41 malls and shopping centres in America.

Tax considerations in takeover market

CHANGES in capital gains tax have been crucial in the spread of takeover fever among property companies, according to Nick Hunter Jones of stockbroker Quilter Goodson, who predicted the epidemic last year.

Within hours the shares had jumped 20p and brokers were jamming the company's switchboard. Fortunately, they were waiting their time.

where Salomon perceives much more of an orientation towards low initial yield and long term capital growth as a result of the UK tax structure.

Packaging

There is a depressing tendency for the product of these securitisation exercises — "product" being a word beloved of the more entrepreneurial of our investment vendors — to excel in fiscal and technical packaging to the extent that the underlying investment property becomes almost an

inert commodity by comparison. Mr Paris denies forcefully that this is the case with EQK 2. In the first place, he says, Equitable Life is not selling the mall because it is tired of the investment. "The company wishes to realise gains on a corporate level," he says.

Prudential deal

PRUDENTIAL Assurance has sold the freehold of 120-125 Holborn to the Norwich Union Insurance Group for a price in excess of £55m.

Prime Mayfair Office Building (in need of refurbishment) 2,250 sq.ft. approx Long Leasehold For Sale

Gearing & Bibbey Estate Agents and Surveyors 32 London Road, Sevenoaks, Kent

Investments for Sale MELTON MOYBRAY — 11 class Retail Investment in Secondary Position

Shops and Offices WELDONSTONE (HARROW). Complete modern office block 4,500 sq. ft. 9 car spaces

International Property An Exciting Investment Opportunity In Tourism Malaysia & Singapore THE PRINCE THE FERRINGHI FEDERAL HOTEL

International Property Publication Date: September 19 1986 Advertisements Copy Date: September 9 1986

Arts Week F | S | So | M | Tu | W | Th 22 | 23 | 24 | 25 | 26 | 27 | 28

PARIS Renand Fontanarosa, cello, Henri Barde, piano: Bach, R. Strauss, Beethoven

WASHINGTON Summer Festival (Concert Hall): Highlighted by a visit from the Newport Folk Festival in August

LONDON Philharmonia Orchestra conducted by Serge Baudo with Alicia de Larrocha, piano

NETHERLANDS Amsterdam, Concertgebouw, Riccardo Chailly conducting the Concertgebouw Orchestra, with Emmy Verhey, violin

TOKYO The Peony Lantern: based on a ghost story by San'yuei Encho, including the Japanese tradition of chilling tales of the supernatural

LONDON The Normal Heart (Albery): Tom "Andreas" Hulse is playing the crusading hero of Larry Kramer's hysterical melodrama

NETHERLANDS Schopenhagen, Circus Theatre, China's Peking Circus (Fri, Sat, 3 and 6 pm)

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Amsterdam, Sonesta Koepelzaal (Kattengat 1). Organ recital by Wout van Andel, Muffat, Byrd, Farnaby, Bach, Mozart, Regner (Wed).

VIENNA Vienna Hofburg Orchestra conducted by Gert Hofbauer. Waltzes and light opera. Konzerthaus (Tue, Thur).

NEW YORK End of Summer: Music, song and dance by Polish American Singers and Dance Company

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Opera and Ballet

NEW YORK New York City Opera (NY State Theatre): The week features Sigmond Romberg's The New Moon

CHICAGO Ravinia Festival of American Dance: A fortnight dance festival features the San Francisco Ballet with a mixed programme

LONDON Bolshoi Ballet in a test at Sadler's Wells

NETHERLANDS Schopenhagen, Circus Theatre, West Side Story, presented by the Broadway Musical Company

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Nicola Martinucci, Renato Bruson and Giovanna Casola: Ur Ball in Maschera conducted by Gustav Kuhn

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Cinema/Nigel Andrews

Celebrating Edinburgh, forty years on

Edinburgh Film Festival... Target, directed by Arthur Penn

The Edinburgh Film Festival celebrates its 40th birthday this year...

But the EFF's great quality is its hope of these. It is its character as a supreme movie democracy...

No bad if they do not; there is no other platform for self-promotion...

In recent years I have been able to see Jim Hickey's obsession with Oriental cinema...

As for the West, a special spotlight was shone on the work of Bernard Vorhaus...



Clara Calamai and Massimo Girotti in Ossessione

comedy talent) are now getting a special spotlight.

As for the West, a special spotlight was shone on the work of Bernard Vorhaus...

One movie alone, to my eyes, is sufficient to justify disturbing the director's old age...

are bundled by Fate on to a speeding express run by a deranged driver...

Best of the brand-new movies at Edinburgh was Freda Pitt's Alpine Fire...

off from the outside world by the conspiracy of remote location and parental puritanism...

From Britain's creative oven came the usual mixture of the heroic and the half-baked...

Edinburgh's strongest suit, as often, was its short films...

Characterisation of father and son is strictly by generation-gap cliché...

Characterisation of father and son is strictly by generation-gap cliché...

All this at Edinburgh plus the usual celluloid cull from

European festivals: Tarkovsky's The Sacrifice, Beineix's Betty Blue...

In London the week's main event is Ossessione. Luciano Visconti's first film (1943)...

Target, alas, is the picture of a fallen film-maker. Arthur Penn directed this disarming nonsense about a father and son...

Characterisation of father and son is strictly by generation-gap cliché...

All this at Edinburgh plus the usual celluloid cull from

Eugene Onegin/King's Theatre

Andrew Clements

The company that goes some way to justifying the internationalism of Edinburgh this year...

Some of the singing passes muster; the women's roles in particular are cast from solid strength...

It must be terribly hard for a company to find itself transplanted to a strange theatre...

While it is certainly refreshing to hear the Russian text of this opera delivered with correct accentuation...

in the orchestra and inaccurate intonation from the stage. It cannot excuse everything...

Some of the singing passes muster; the women's roles in particular are cast from solid strength...

of the words in a theatrical sense. The production is evidently a recent one...

A first-rate musical performance might have retrieved the show. But as I've suggested...

Dickinson Concerto/Albert Hall

Andrew Porter

Peter Dickinson's Piano Concerto, first played at the 1984 Cheltenham Festival...

In the concerto the rag, Dickinson works here have been

sounds in the sixth of the seven main sections. It enters with quite startling effect...

The concerto is loudly, intelligently and thoughtfully made...

cleverly contained within bar lines. One hears layer upon layer with apparent freedom...

The concert was well attended. It began with Elgar's Introduction and Allegro for Strings...

Book review/David Murray

Hans Keller's memorial

The Great Haydn Quartets by Hans Keller. Dent. £16.95. 250 pages.

Tchaikovsky: the years of wandering, 1878-1885 by David Brown. Gollancz. £25.00. 336 pages.

Clara Schumann: the artist and the woman, by Nancy B. Reich. Gollancz. £19.95. 346 pages.

First Night Fever: Memoirs by Robert D. Abraham. John Calder. £16.95. 288 pages.

Dearest Babushkin, selected diaries and letters of Vera and Igor Stravinsky, edited by Robert Craft. Thames & Hudson. £25.00. 239 pages (183 illustrations).

Five musical biographies of various species - and Hans Keller's book about the Haydn quartets, which is sui generis...

That is little enough, with such an exciting education in prospect. As Berio has remarked...

affection, exasperation and awe. He was a pungent, provocative critic and commentator...

He published a querulous autobiography, but The Great Haydn Quartets is a far better memorial...

That is little enough, with such an exciting education in prospect. As Berio has remarked...

Chalkovsky: the years of wandering, 1878-1885 is David Brown's third volume in a series originally promised to amount to three...

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dead husband's authoritative opinion. The result is that she must be seen in the hand in her voluminous domestic correspondence...

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Dutch dance theme at Reggio Emilia festival

In the rash of summer festivals throughout Italy, the Teatro Municipale-Valli at Reggio Emilia commands immediate respect...

recently as 1972, when the work was made, to see a ballerina perform in high-heeled shoes...

costume. Glen Tetley's Mythical Hunters, one of his best ballets, is a mainstay of the Aterballetto repertoire...

choreographer - if that is the right term in this context, since basically this was a school show...

graphy by Nils Christie that he had presented at the Holland Festival a few evenings earlier...

Advertisement for Helmsman for a wide choice of personal or coin operated lockers.

Advertisement for AIR INDIA, featuring a picture of an airplane and text about flight services.

Advertisement for Arts Week, listing various art exhibitions and events.

Advertisement for the Prado Museum, listing various art exhibitions and events.

Advertisement for the Prado Museum, listing various art exhibitions and events.

Advertisement for Financial Times, featuring a picture of a newspaper and text about subscription rates.

FINANCIAL TIMES

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Friday August 22 1986

The lessons of Chernobyl

THE Soviet Union's decision to open its heavy curtains of defensiveness and secrecy to publish a report on its most spectacular technical failure of the century is an event of great importance to the West.

The detailed report on the explosion at the Chernobyl No. 4 reactor in April, now being circulated among Western experts, gives every appearance of being frank and thorough.

For this reason, the report's emphasis on the fundamental necessity of deep international co-operation in the development of nuclear power, and perhaps even its remarks about the danger of nuclear weapons, should be taken at face value and welcomed.

Death toll

Gradually the Soviet accounts of the extent of death and injury have gained credence. Bad as they are, the figures are nothing like some of the estimates which were made immediately after the accident.

In the months following the accident many in the West, including the Central Electricity Generating Board in the UK, made much of the fact that the RBMK-1000 type of reactor at Chernobyl was quite different and probably less safe than those designs elsewhere in the world.

Unemployment and the young

NOTHING BETTER illustrates the structural shortcomings of modern industrial economies than the persistence of high youth unemployment.

The West German system trains people to be something, whether it is a mechanic or a hairdresser. In the UK the number of apprentices in industry has fallen steadily over the past 15 years; in West Germany it has jumped by about a third.

A feature of youth unemployment is the wide variation in its severity in different countries. Overall unemployment rates in the big seven industrial economies range between about 2 1/2 per cent in Japan and 13 1/2 per cent in the UK.

The lack of a close correlation between youth and aggregate unemployment rates may partly reflect demographic factors. But it also suggests that, in the face of broadly similar macro-economic pressures, countries experience different rates of youth unemployment primarily as a result of different micro-economic policies in the labour market.

There are many parallels in the British and French experience. Both countries suffer from a shortage of technical and vocational education and both have had to introduce crisis training and counselling measures: the "16 to 18 programme" in France and the Youth Training Scheme in the UK.

West Germany provides a striking contrast. Instead of cobbling together emergency measures, it has been able smoothly to expand its long-established industrial apprenticeship system. This combines skill-specific, on-the-job training with more theoretical education at special vocational schools.

While the YTS aims to provide "a range of transferable skills,"

SINO-SOVIET RELATIONS

Mr Gorbachev and his China gambit

By FT correspondents in Moscow, Peking and London

MOSCOW is playing host this week to the first Soviet capital in three decades.

This minor piece of history follows a Chinese trade exhibition jammed by curious Muscovites and a fashion show at the Chinese embassy attended by Mrs Raisa Gorbachev, wife of the Soviet leader.

Peking, meanwhile, has been playing host to Mr Ivan Archipov, the Soviet First Deputy Prime Minister and the highest ranking Russian official to visit China in 17 years.

Mr Archipov is ostensibly there for acupuncture treatment, but diplomats wonder whether China's leaders are not also running their hands over some of the sore points in Sino-Soviet relations.

For it is now clear that what is under way is the most determined attempt by the Soviet Union to improve relations with China since the momentous split in 1960 which had such far-reaching consequences both for the communist world and the west.

The two sides opened talks on normalising their political ties back in 1982 but Mr Mikhail Gorbachev's speech in the far eastern port of Vladivostok on July 28 this year represented a big step forward.

China's response to the Vladivostok speech, although guarded, has been positive. Chinese officials have, predictably, said that Mr Gorbachev's offer to withdraw six regiments from Afghanistan, remove some troops from the Ussuri River, the two sides then settled down to verbal hostilities. It is a dispute which has undoubtedly served the interests of the US well.

For example, in the early 1970s when both communist

lowest ebb for two decades. Japan, China and the US had joined in a loose but potentially hostile anti-Soviet alliance.

Mr Gorbachev appears determined to reverse this trend and re-establish the Soviet Union as an Asian power of the first order. He wants to harness Japan's technology to help his modernisation effort.

Under Mr Gorbachev, Soviet diplomatic machinery has undergone a thorough overhaul that has forced the Foreign Ministry to ditch its Cold-war divisions of the world and reorganise to improve its response to the demands of international diplomacy.

The shakeup has particularly affected Asia, an area much ignored during Mr Andrei Gromyko's 28 years as Foreign Minister.

If the recent Soviet overture leads to a breakthrough in the dialogue with China, there could be important ramifications for the US. The impact, however, may not be as dramatic as some people imagine.

The Sino-Soviet cold war began in 1960 when Nikita Khrushchev pulled his country's advisers out of China. After erupting in 1969 into fighting along the Ussuri River, the two sides then settled down to verbal hostilities. It is a dispute which has undoubtedly served the interests of the US well.

For example, in the early 1970s when both communist

superpowers were eager to curry favour with Washington, the US established relations with China while at the same time striking the Salt I agreement with Moscow.

Since then, however, China's leader, Deng Xiaoping, has made it clear that there are limits to the warmth of its relationship with Washington, adopting a pragmatic and more even-handed foreign policy to complement his modernisation drive.

The notion of a strategic or military alliance with Washington has been firmly ruled out, much to President Reagan's chagrin—opening the door for closer ties with Moscow.

By the same token the Soviet Union probably appreciates that the diplomatic gains made through cultivating China will be limited by Peking's reluctance to shift too far into its corner either.

The omens for greater economic co-operation are more positive. Soviet foreign trade has been very badly hit by the fall in the price of oil, on which Moscow depends for 60 per cent of its exports.

Significantly the Soviet media have recently described China's experiments with economic pragmatism in positive terms. Soviet officials have been speaking of the economic advantages of improving relations, pointing to a 64 per cent rise in bilateral trade last year.

THE BALANCE OF POWER

USSR VS US BASES

Table with 2 columns: USSR, US. Rows: Motor rifle divs (45 vs 7), Tank divs (7 vs 4), Artillery divs (4 vs 4).

USSR

Table with 2 columns: USSR, US. Rows: Sub (31 nuclear), Surface vessels (410 vs 340), Aircraft (133 vs 410).

China

Table with 2 columns: USSR, US. Rows: 2,320,000 men, 118 Infantry divs, 13 Armoured divs, 17 Artillery divs.

Table with 2 columns: USSR, US. Rows: 350,000 men, 101 Sub (1 nuclear), 38 Combat ships.

Table with 2 columns: USSR, US. Rows: 490,000 men, 2200 Aircraft.

Table with 2 columns: USSR, US. Rows: 6 ICBM, 60 IRBM, 50 MRBM.

Soviet Union Far East

Table with 2 columns: USSR, US. Rows: 1500 Fighters, 440 Bombers, 700 Others.

Table with 2 columns: USSR, US. Rows: 385 SLEM, 380 ICBM, 207 IRBM, 150 Heavy bombers.

China

Table with 2 columns: USSR, US. Rows: 2,320,000 men, 118 Infantry divs, 13 Armoured divs, 17 Artillery divs.

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SLEM, Submarine Launched Ballistic Missile; ICBM, Intercontinental Ballistic Missile; IRBM, Intermediate Range Ballistic Missile; MRBM, Medium Range Ballistic Missile

Conversely China may benefit economically from closer links with the Soviet Union where it will find a market for its growing consumer goods and textile industries.

Mr Nikolai Talyzin, the chairman of the Soviet State Planning Commission, is to visit Peking shortly.

But the most important change in the relationship between Peking and Moscow is neither diplomatic nor economic.

At the heart of the 25-year split between the two Communist rivals was ideology and it is this ideological division which is now coming to an end.

Under Mao Tse Tung each side denounced the other as a heretic from the true Marxist faith. The fundamental shift towards economic pragmatism in China and away from world revolution has narrowed the ideological differences.

and its valuable warm-water ports by leaning on Hanoi to withdraw. As one Western diplomat summed up Mr Gorbachev's courtship of Peking, the Soviets are showing a little ankle, and hoping it will get the Chinese to make some counter-moves.

China, which is in the midst of major military reforms, would welcome any move that allows it to withdraw resources from the front line, particularly at a time when military facilities are being commandeered for economic reform.

The West, on the other hand, would worry if Soviet troops and missiles currently deployed in Asia were merely to be redeployed against Europe or the oil-producing states of the Gulf.

So while a major rapprochement may not yet be at hand between the Soviet Union and China, a potentially significant improvement in relations could be on the way.

At the same time there are clear limits to the possibilities of progress—at least for the foreseeable future.

Deng Xiaoping has indicated that Peking will take several more years to make up its mind about Mr Gorbachev's true character and intentions.

Mr Gorbachev's speech has presented the Chinese with an awkward challenge. Even the accepted Deng conceded that the proposals contained "some new elements."

Whether he decides to take matters further will probably depend on Mr Gorbachev's next move.

THE UPS AND DOWNS

- 1945 Russian army hands over military stores captured from the Japanese to Chinese Communist forces under Mao Tse Tung.
1949 Nationalist forces defeated and People's Republic proclaimed.
1950 Sino-Soviet Treaty of Friendship and Alliance signed although Mao resists Soviet efforts to draw China into Moscow's orbit.
1960 Soviet Union withdraws all aid and advisers from China following growing tension between the two communist powers.
1969-70 Border clashes between the two across the Amur and Ussuri rivers.
1972 US President Richard Nixon visits Peking.
1975 Treaty of Peace and Friendship between US and China marks full normalisation of relations.
1978 Vietnam invades Kampuchea overthrowing Chinese-backed regime.
1979 Soviet forces invade and occupy Afghanistan.
1982 Talks on normalising relations between Peking and Moscow begin.
July 28 1986 Mr Mikhail Gorbachev launches his ostpolitik in Vladivostok.

Stenham chooses bank parlour

Unilever, the international group which traditionally has been a cradle-to-the-grave institution for its senior people, is trembling slightly from the shock that its longest-serving director, "Bob" Stenham, aged 54, is quitting to take up a new career in international banking.

He gets along well on a personal basis with Alfred Brittain, chairman of Bankers Trust, and Charles Sanford, the bank's chief executive. When it was decided that Sanford should replace Brittain, who is retiring shortly, Stenham was asked if he would like to join the bank in two roles: executive chairman of the business in the UK, Europe, and the Middle East, and chairman of the bank's new global policy committee which will develop the bank's business worldwide outside the US.

It did not take Stenham long to decide to accept. And he is quite frank about his motives. He was Unilever's youngest-ever director at 38, and was appointed financial director a job he has held ever since. He sees his further career at Unilever blocked, however, by the recent appointment to the chairmanship of Mike Angus who is only his senior by two years.

Unilever runs businesses in 80 countries, and Stenham, a quiet man with a nice sense of humour, feels his seasoned approach to international financial situations will fit neatly with Bankers Trust's requirements for a higher international profile. The bank already gets half its earnings outside the US, but it still has some way to go to be a truly international organisation. Stenham will be the only senior non-American on the staff.

Men and Matters

national banking is that it will tend to revert to the old-fashioned client relationship where clients actually seek advice from their bankers.

An old Etonian, Trinity Cambridge man, barrister and chartered accountant, Stenham had a brief flirtation with banking in his younger days. He worked at merchant bankers Philip Hill, Higginson, Erlanger (later Hill Samuel) in the 1960s, on bids and deals and foreign exchange.

When the British satirical magazine Punch sports a City column, you would expect it to be conducted with a sense of fun that even overrides the profit motive.

The City editor is, in fact, one "Ooty Prosser," a pseudonym borrowed from P. G. Wodehouse. The real identity of the man is top secret.

Now "Ooty," to his own surprise, and I suspect, embarrassment, has discovered a corner of the stock market so bizarre that it has, hitherto, remained largely unexplored—but it is proving highly profitable.

He explains, "I compiled a portfolio of 17 shares with names so unattractive-sounding that no sane investor could possibly feel comfortable with them in his portfolio. It is my 'portfolio of Dogs'."

Since January this year the portfolio's value has risen by more than fifty per cent—four times the London stock market's average increase. Our gallant tipster confesses he hasn't the slightest idea why this collection of the unlovely should be doing so well. How long, he wonders, will

Fast dogs

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Chain reaction

Although his native Cork accent has long since evaporated, there is still a strong whiff of Irish about Tom McAuliffe, former head of the Argos retail chain and, briefly, of Littlewoods stores.

Challenged yesterday on the real value of the "savings" offered in his new Discountron chain of showrooms, he explained: "If you buy a lawnmower and a game of Trivial Pursuits, you will get a better deal than by shopping around collectively you are getting a bargain."

Rubbing along

Anyone who acts as economic adviser to the Nicaraguan Government might be expected to grasp the opportunity of a British television appearance as a chance to display some fire-brand oratory.

Not so, with Valpie Fitzgerald a mid-mannered former Cambridge economist who combines his role helping the Sandinista regime with an economics professorship at The Hague.

To the surprise of the producers of last night's Channel Four discussion programme on the economic plight of the developing countries, Fitzgerald was cheerfully dismissive of the usual Third World shibboleths.

American multinationals, he argued, had a far calmer view of the world than President Reagan—they chose not to join the embargo against Nicaragua.

Others rubbed along happily with Nicaragua's own version of economic pluralism. A subsidiary of BAT Industries, for example, was putting up a factory to process tobacco produced by local co-operatives for sale to Bulgaria. The only problem was that the Reagan-backed Contra forces were attacking the plant.

Observer

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THE NORWEGIAN ECONOMY

Spinning its wheels

By Kevin Done, Nordic Correspondent, in Oslo

I HAVE had 15-20 foreign banking delegations visiting me. They are flooding our offices competing to give us money. It is very flattering in a sense, but maybe in three to four years we will have to travel to them," says a senior official in the Norwegian Government.

For the first time since 1979 Norway is being forced to borrow money in the international capital markets, as the economy creeps under the burden of collapsing oil prices, mismanagement and over-indulgence. The country's role during the mid-1980s as a capital exporter has been short-lived. The surplus on the current account and in the state's finances have been transformed almost overnight into alarming deficits.

With its wheels still spinning wildly the Norwegian economy is running out of step with its major trading partners as inflation rises rapidly both in response to the severe cost increases in the overheated labour market and as a result of the 12 per cent devaluation implemented by the incoming minority Labour Government in May.

Although Mrs Gro Harlem Brundtland, the Prime Minister, has said that Norway is facing its "most serious economic crisis for many years," it has yet to be shown that the country is in a position to grasp the nettle. In a country that has come to consider full employment as part of the natural order, there is as yet little stomach for the pains of economic restructuring.

"It is a question of belief about the future development of oil prices," says a leading Labour movement economist. "There is still optimism about prices rising in the longer term and that reduces crisis-consciousness." The dilemma facing the economic planners in Oslo is how far they can afford to soften the country's landing in a new recession. How long can Norway live off the reserves accumulated during the recent fat years of inflated oil prices and a rising dollar? And how far is it wise to start another spree of foreign borrowing in today's overvalued exchange rate?

The economic problems are further compounded by the political uncertainties that have plagued Norway ever since the general election a year ago left the country without a stable ruling majority in the Storting (the parliament).

able right wing, anti-tax Progress Party led by Mr Carl Hagen, which won the balancing two seats. The coalition managed to hold on for only seven months before Mr Willoch surprisingly threw in the towel at the end of April, when he was unable to push through a timid attempt at tightening economic policy. His coalition fell when the Progress Party turned against his proposals to increase the petrol excise duty. A minority Labour Government headed by Mrs Brundtland took over in May.

For several weeks speculation over the new Labour Government's survival chances has been rife. With a one-seat majority in the Storting it is clear that the non-socialist parties can in theory bring down the Brundtland Government whenever they please, although they face formidable problems in asserting their numerical majority in parliament.

The Labour Party itself is not entirely united on the wisdom of taking office at such a difficult moment. Austerity measures and a brake on spending fly in the face of its election programme, and it has taken a hammering in recent opinion polls. According to one of the most recent surveys for Labour has dropped from 43.2 per cent in May to 37.7 per cent in June with the main gains going to the Conservatives.

With the difficult economic decisions still to be taken, it can hardly get easier for Labour. "A really tough economic policy would mean a doubling or tripling of unemployment and no Labour government can take responsibility for that," says one leading trade union economist in Oslo. "We will see some minor adjustments of economic policy but that is the most you can expect."

"There will be small corrections to a course that was too expansionary whether oil prices were high or low, but nothing that confronts the problem of the oil price if they prevail in the long term."

In the short space of 15 years since the first oil began to flow from the Ekofisk field in 1971 Norway has become hugely dependent on the petroleum industry. Last year it accounted for 19.7 per cent of gross national product, for 37.6 per



Source: Ministry of Finance & Central Bureau of Statistics

cent of total exports and for about 21 per cent of the central government's total revenues. Just as importantly, the country has become accustomed to steadily rising revenues from petroleum. Between 1981 and 1985 the accrued tax revenues to the state grew on average by around Nkr 5bn (\$546.6m) a year from Nkr 27bn to Nkr 51.5bn, while export earnings in the same period rose by an average Nkr 9bn a year from Nkr 51bn to Nkr 88bn. The impact on the Norwegian economy of the falling oil price measured in US dollars would have been bad enough, but the country's problems have been exacerbated by the parallel drop in the value of the dollar, which means that the crude oil price has fallen even more steeply measured in Norwegian kroner.

level, dropping to only Nkr 10bn from Nkr 51.5bn last year. Revenues are being squeezed further by recent measures to cut oil taxes to ensure that companies continue their search for oil.

Even without the collapse in oil prices, Norway's balance of payments position was deteriorating, but the oil price fall has served to lay bare the country's rapid loss of international competitiveness. From 1980 to 1985 steadily rising oil and gas export revenues more than compensated for the dangerously mounting deficit for what is referred to as mainland Norway, masking a decline in traditional export industries such as metals, pulp and paper, shipping, fisheries and chemicals.

For example, in 1985 the surplus on the current account of the balance of payments was as much as Nkr 25.6bn, equivalent to 5.1 per cent of gross domestic product, although the surplus was falling during the year. At the same time, mainland Norway had a deficit of Nkr 66bn. According to the "\$15 a barrel" scenario the current account could show a deficit this year at least as large as last year's surplus, namely Nkr 25bn and a deficit of Nkr 30-35bn in 1987.

The estimates show just how vulnerable Norway's balance of payments position is when the country's oil revenues and its international competitiveness decline and when demand in Norway grows substantially faster than abroad. The country's real disposable income is forecast to fall by at least 8 per cent this year and will fall further in 1987. The oil price collapse is only one cause of the country's current woes, however.

In the last 18 months Norway has undergone a private consumption boom that has no precedent. With 1985 an election year, bank credit flowed freely, ahead of government targets, imports grew in response to the big jump in domestic demand and the tightening labour market forced up wage increases.

Private consumption rose by 8.2 per cent in 1985, while car sales jumped by 59.3 per cent and have stayed at that level in 1986. The savings ratio declined to a record low, while the labour market has tightened

dramatically with unemployment at a negligible 1.7 per cent and the number of man hours worked increasing more strongly than at any time since such surveys began. Industrial investments were 23 per cent higher last year and the increase in 1986 could be equally strong.

The inflation rate in July reached 7.4 per cent and is still rising. The Norwegian Bankers Federation expects inflation to reach 9-10 per cent in 1987 compared with 2.3 per cent among Norway's major trading partners.

In the midst of the boom and despite the collapse in oil prices the country has gone through a fractious wage round this year with strikes and lock-outs. The private sector wages growth in 1986 is estimated at around 9 per cent.

"Nineteen eighty-five was a very bleak year in the history of Norwegian economic policy," says a leading government official. "It was a terrible mistake to liberalise credit policies without tightening fiscal policies and doing something about the tax system." (In Norway all interest payments are 100 per cent tax-deductible.)

There are signs that the boom is weakening and the Government has begun to warn about the need for real incomes to decline next year, but crisis-consciousness has hardly been awakened. "More people say we have a serious economic situation," says a Finance Ministry official, "but incomes are still growing strongly. They have to feel it in their pockets, and so far they have hardly noticed it." Mrs Brundtland's government has already indicated that it is willing to slow the planned rate of increase in Norway's oil production if the Opec countries manage to stabilise oil prices at a higher level, but even if prices recover to US\$20 a barrel Norway faces several years of painful adjustment.

Lombard Cement makers under attack

By Andrew Taylor

IT HAS been a trying summer for Britain's cement producers. Sales are down, by about 4 per cent in the first six months of this year, the arrival of two floating cement silos from Greece has raised fears of increasing tonnages of cheap foreign imports being landed in the UK, and now the Office of Fair Trading has initiated yet another investigation into the manufacturers' 52-year-old price fixing agreement.

The last straw is a decision by the European Commission to take no further action against East German and Polish producers dumping cement in the UK because the level of dumping is so small that it does not represent an "important threat of material injury".

The three British manufacturers, Blue Circle, Rion Tinto-Zinc and Rugby Portland, between them control more than 97 per cent of the home market, selling more than 13m tonnes of cement to domestic users last year.

The issue is whether the industry's common pricing agreement is under serious attack and whether its continued existence is in anyone's interest apart from the manufacturers.

In 1961, the Restrictive Practices Court ruled that the agreement had "been so operated as to keep down the overall price of cement to a level substantially lower than it would have been under price competition".

The market, however, has changed materially in the last 25 years. Annual cement sales, which peaked in 1973 at 19.8m tonnes, fell to 13.5m tonnes last year. In spite of plant closures and a halving of workforces since 1973, cement producers were operating at no more than 85 per cent of capacity at the end of last year. Given this spare capacity, there seems to be a strong basis for suggesting that prices would fall if manufacturers were required to compete on price.

operations to subsidise more inefficient works that have been kept running to preserve a producer's geographical presence in the market. The Prices Commission in a report on Rugby Portland in 1979 concluded: "Because supplies continue to sell at common prices there is no inducement on price grounds for customers to switch to lower cost plants even where the combined production and distribution costs would favour such a move." It criticised the operation of the pricing agreement, which it said had weakened the company's incentive to improve efficiency and reduce costs.

A TUC report to the Building and Civil Engineering economic development committee similarly criticised the industry for its slowness in responding to technological change and market forces. It compares the much faster rate at which French and US cement manufacturers have adapted to new production techniques and switched from oil to coal burning following the 1973 oil crisis.

Cement manufacturers for their part argue that the agreement has enabled them to concentrate on guaranteeing quality and continuity of service to customers during a period of great change in the industry. This has been the cry of oligopolists through the ages—financial services and the airlines come to mind. It is easier to get away with it if you deal in a bulky low value product which is expensive to transport.

It is true that the construction industry is often most concerned about the ability of producers to deliver the right quantities on time which is something the industry does well. It is also likely that some customers in out-of-the-way locations might suffer under a policy of free price competition. Inefficient plants would have to close.

This does not, however, overturn the prime argument in favour of scrapping the common pricing agreement which is that the economy is best served and companies generally perform better when striving to meet price as well as service demands of customers. What is so special about cement?

Rotation of auditors

From Mr R. Wilkes

Sir,—May I add one further point to those made by Mr Simon (August 19) on the subject of rotation of auditors.

The Cohen Commission, an independent body, set up by the American Institute of Certified Public Accountants which reported in 1978, examined in some detail the question of independence of auditors. In a section dealing with rotation of auditors the report states: "More important, in the commission's study of cases of substandard performance by auditors, several of the problem cases were first- or second-year audits. While not conclusive, this indicates the higher percentage of audit failures associated with new audit clients. Once an auditor becomes well acquainted with the operations of a client, audit risks are reduced. If a relationship between audit failures and new clients exists, it would increase the problem and be detrimental to users."

Richard Wilkes, 22, London Bridge Street, SE1.

Unloved farmers

From Mrs C. Maynard

Sir,—Mr Robin Lane Fox (August 16) and all the other controversial, ungrateful and unrealistic thinking people, why oh why treat farmers so utterly cruelly? As a farmer's wife and an industrialist's daughter (I know what it is to have a roof over the factory floor too) I think farmers deserve all the support in the world, as they continue to contribute to the neat, tidy, glorious and fragrant wellbeing of the English countryside.

What could be better than an even carpet of sweet golden corn waving in the breeze, a mass of bright yellow rape, bringing "sunshine" every single day of its flowering life and the sweet and exotic smell of tick beans? I could go on and on. The efficiency of farming in itself results in a thorough care for the countryside, so please refrain from talking absolute nonsense and show the farmers of the country (in the spring and golden (in the summer) pleasant land) to continue with their profession, as they allow the industrialists and people from all walks of life to count his blessings that he is well fed with food produced by his "fellow" men and that he and other similar critics have the time to notice and undermine the work of other people. Farmers have little time, or the will, to do this. Mr Robin Lane Fox should also remember that the "land

Letters to the Editor

of cloud cuckoo" could be a most unhappy place in which to live, its inhabitants probably suffering from gross malnutrition.

(Mrs) Carole Maynard, Willow Hill Farm, Dunston, Biggleswade, Beds.

Designer pension schemes

From Mr S. Wynn

Sir,—As Mr Low writes (August 13) the Government has legislated to improve the benefits of early leavers from occupational pension schemes. The Government's policy on early leavers, however, goes much further than this. It is its declared policy for as many people as possible to have "a pension of their own." This has resulted in the new regulations for personal pensions which will give employees the right to opt out of the pension scheme of their employer and buy their own pension from a financial institution. For some schemes it is already possible to do this, but older employees rarely do so since this means losing the employer's contribution. There is, in general, no question of negotiating a higher salary to pay for this personal pension. Thus as a means of solving the problem of the portability of pension rights, the personal pension idea has limited applicability. Mr Low writes that final salary schemes are designed to reward loyal employees. This is indeed arguably a desirable objective. It is possible, however, to reward such employees also with money purchase schemes. For example, there could be a penalty of 10 per cent of savings in the event of leaving the scheme early. In this case the penalty for leaving early is clearly defined rather than relying on inscrutable actuarial mathematics. Mr Low suggests that money purchase schemes may be satisfactory for one type of employee and final salary schemes satisfactory for another. Unfortunately, you generally do not know how long you will remain in the same job so that you can very easily find yourself in the wrong category. I agree with Mr Low that final salary schemes reward financial loyalty later in a career. It is questionable however whether this is fair, especially with those schemes, such as that of the NBS, where the pension is based on the actual last year of service, resulting in a great leap for promotion for this last year. If it is not true, as Mr Low suggests, that money

purchase schemes are not able to cope with inflation. Pension funds as a whole have performed well over the years—especially in the past seven years, leading to the current substantial surpluses.

Mr Low states that the inflation-proofing of money purchase pensions has in the past been inadequate. As Mr Walker writes (August 14) a modern well-designed scheme should not rely on traditional fixed annuities, but should be increasing or unit-linked. Dissatisfaction with the inflation-proofing of occupational pensions, contributed to the provision of the inflation-proofed SERPS pension (and the inflation proofing by the government of the GMP component of contracted-out schemes). We should not continue to leave the design of pension schemes to market forces so that there needs to be an unending series of regulations and changes to the state scheme to stem the resulting deficiencies. The Government should develop, with due consultation, a best design of group money purchase scheme. This should include details, such as the penalty, if any, for leaving early, and the method of calculating pensions. It should then encourage employers to adopt this design.

A group money purchase scheme which is well designed is nothing like, and is greatly superior to, a collection of personal pension policies. Stephen Wynn, 8 Clarence Gardens, Brighton, Sussex.

Unemployment statistics

From the Chairman, Consolidated Metal Co.

Sir,—One cannot help feeling that the directors of the Employment Institute (August 18) must live in an ivory tower. The survey carried out by the Committee for Research on Public Attitudes may or may not have been highly scientific but I would guess that its conclusion that only 29 per cent of the recorded unemployed are genuinely unemployed just about accords with the guestimates of most employers. In recent months we have advertised widely for staff—in an area reportedly having 18 to 20 per cent unemployment—with the following results: warehousemen, three replies; school leavers for training, nine replies; five appointments made (at applicants' preferred time), only two appointments

kept; and sales staff (juniors at £10,000 pa, senior executives at £20,000 pa) advertised nationally, two replies. We did a similar exercise two years ago with similar results. Last time was a London phenomenon we have spoken to customers and suppliers in the West Midlands—an area supposedly in dire straits because of unemployment—and we find that their experience was parallel with our own. Certainly the recruiting of suitable people seems to be a major problem.

I have yet to meet an employer or an employee who believes that the published figures on unemployment bear any relation to the facts of life. Perhaps now is the time for some authoritative independent body to do some in-depth research on the subject; surely the government (any government) needs to know the real situation rather than that reported in statistics. C. C. McKinnon, 111 Carpenters Road, E15.

Business failures in Japan

From Professor G. Boumas

Sir,—Carla Rapoport and Ian Rodger, writing (August 19) on Japanese industry stated that there was a record 72 business failures in Japan, last month (16 July). There were in fact, 1,449 business failures in Japan in July, 1985, of which 72 were directly attributable to yen appreciation according to Teikoku Data Bank. The correct figure demolishes the argument deployed by your correspondents in the paragraphs surrounding that quoted, where a comparison is drawn with an average 700 monthly business failures in UK in 1981. (Professor) Geoffrey Boumas, 27 Collingham Road, SW5.

Watering hole

From Mr R. Chubb

Sir,—The underwriter discussing Lloyd's new building with Mira Bar-Hillel (August 18) wonders why the special glass had to be imported from Germany. Yet he apparently sees no inconsistency in the "fortuna" spent on crates of Perrier, because the building's own water supply is tepid and malodorous. What on earth is so wrong with all the mineral waters produced within the UK that we need to buy water from abroad? This propensity to consume foreign rather than home-produced goods of even the most basic kind is fast approaching Alice in Wonderland proportions at great cost to the economy and to the nation as a whole. Robert N. Chubb, 89 St Leonard's Rd, SW14.

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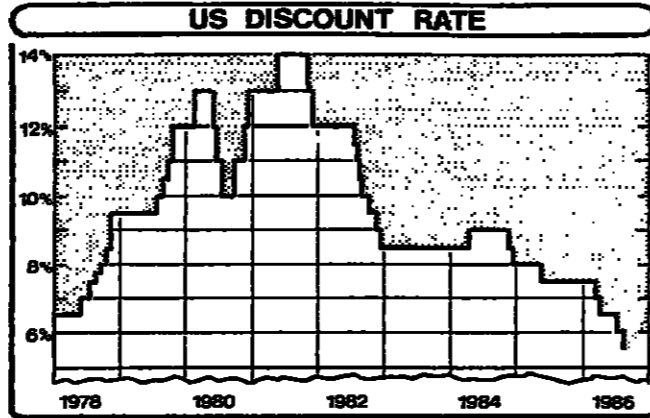
Volcker succumbs to clamour for easier monetary stance

Fed under pressure to prime the pump

BY TERRY DODSWORTH AND WILLIAM HALL IN NEW YORK

JUST a couple of months ago the US financial markets were split on whether the Federal Reserve was doing enough to stimulate the US economy.

A number of factors have pushed the US central bank into this more aggressive stance. Mr Brian Fabbri, chief economist of Thomson McKinnon Securities, says the White House was "shocked and surprised" by this week's second-quarter GNP figures.



There is now increasing talk of the US possibly slipping into a recession. Most of the forecasters have scaled down their predictions of a second-half rebound in the US economy, and some have gone as far as to suggest that there would be zero growth between now and the end of the year.

already begun to put pressure on exporters to the US, and further falls in the dollar to below DM 2 and Y150 would probably cause considerable distress.

While some US economists had hoped for a one point cut in the discount rate, there was broad agreement yesterday that the half-point reduction could well be followed by similar moves next month.

Although the hope of export-led expansion has foundered on the reluctance of America's trading partners to expand their economies, it is now felt that the latest monetary stimulus should be sufficient to fuel growth of between 2½ per cent and 3 per cent in the second half of the year.

In particular, economists expect the housing sector to show a renewed spurt resulting from lower mortgage rates.

Nevertheless, there are some fears about America's dependence on cheap money to keep the economy moving. Low inflation and relatively high real interest rates in the US compared with its trading partners have given the Fed room to move rates down so far.

While short-term rates have been falling this summer, long-term rates have shown little sign of easing - indeed, yesterday the 30-year US Treasury bond remained virtually unchanged in the wake of the latest discount rate cut.

Against this background, the Federal Reserve has been under increasing pressure to ease US monetary policy further. The main surprise about Wednesday's half-point cut in the discount rate to 5½ per cent - is not that it happened but that it came earlier than the financial markets had expected, less than six weeks after the previous half-point reduction.

Yesterday, Senator Bob Dole, the Republican Senate majority leader, added his voice to the clamour for an easier monetary policy, warning that the latest discount rate cut "might not be enough help" because there was "just not enough demand for capital."

The Fed's move also seems to indicate that hopes of negotiated cuts in international interest rates have been abandoned in Washington for the time being. During his last congressional appearance in July, Mr Volcker made an impassioned plea for America's trading partners to stimulate their economies in a way which would have allowed rates to move down in an orderly fashion around the world.

Groups bid to finance BA's new Boeings

By Michael Dome, Aerospace Correspondent, in London

COMPETITION is intensifying among financial institutions to provide the cash for British Airways' £2.3bn order for 18 Boeing 747-400 long-range jets.

Two major financing groups - one headed by Goldman Sachs, the other by Chemical Bank - were initially involved in preparing packages for the BA deal. It is now understood that a third group may emerge.

British Airways itself has declined to comment, but the stated-own airlines is understood to want financial proposals to be submitted by September 15 for preliminary evaluation.

There has been extensive manoeuvring among UK, North American and Japanese financing institutions to put together leasing packages that might win the BA business. The situation was reported to remain "extremely volatile" with some institutions talking to the lead banks in all three groups.

The final composition of the groups is thus not yet settled, and there may be some considerable changes before the final packages are ready for presentation to BA. All that is clear at present is that BA intends to take its aircraft on short-term operating leases, of up to about five years, so as to ensure that its balance sheet is not encumbered by heavy debt repayments in advance of privatisation now expected in the first half of next year.

The airline also wishes to retain the maximum re-equipment flexibility, because of uncertainties over future technical developments.

Germany and Japan pressed on rate cuts

Continued from Page 1

Interest rates and fend-off a weakening of the West German economy which would follow a further fall of the dollar.

"The Bundesbank can hardly stand by and watch a further sharp fall of the dollar which would be extremely harmful for economic growth in West Germany," he said.

In Japan, however, central bank officials remain concerned that a further cut in interest rates would only fuel the stock market's already fervent rise. Liquidity is felt to be already more than adequate, while domestic demand is expected to receive a boost from fiscal measures in the autumn.

In London, meanwhile, the Bank of England acted to quell pressure for an immediate cut in bank base rates when it rejected overtures from the discount houses

British Sugar gives pricing assurance

BY TIM DICKSON IN BRUSSELS AND ANDREW GOWERS IN LONDON

THE EUROPEAN Commission moved yesterday to restore fair competition to the UK's £450m (£675m) retail sugar market, following a bitter price war and allegations that British Sugar, the country's monopoly sugar beet producer, conspired to drive an independent sugar merchant out of business.

It accepted undertakings from British Sugar that it would "engage in normal and reasonable pricing practices which can in no way be construed as predatory."

serious effect on Tate & Lyle, the cane sugar refiner which is British Sugar's only big rival in the UK sugar market.

conditions of competition to return to the retail sugar market in Britain, thus ensuring that consumers have a wider choice of suppliers of packet sugar.

Press lifts veil on SA

Continued from Page 1

ges who refuse to be moved to the nearby "site and service" facilities of Khayelitsha.

According to Mr John Njwile, leader of the Nyanga extension community committee (one of the four organised communities from New Crossroads) they refuse to move to Khayelitsha because they fear that they will be killed by vigilante chiefs who have already moved to Khayelitsha and re-created the social patterns which wreaked such havoc on Crossroads.

asked why we were there. They made clear that the shacks constituted illegal squatting and would be destroyed.

As a small crowd gathered, they tried in vain to persuade a large black lady who screamed at them in Afrikaans that her husband and daughter had been killed "by vigilante chiefs and the police" and shouted that she would never move to Khayelitsha and face the vigilantes again.

Changes at Soviet reactors

Continued from Page 1

tor, susceptible to error. But they cannot explain the coincidence of so many gross mistakes.

One big question they will be asking is why the Chernobyl nuclear station wanted to carry out its test programme at all, which may help explain why the operators were in a hurry to finish it.

The 1,000 Mw Chernobyl No. 4 reactor was destroyed by violent steam explosions, believed to have occurred when white-hot fragments of disintegrating nuclear fuel encountered boiling water and steam in the reactor core.

It cost the lives of 31 people, and 135,000 people remain evacuated

Hamleys toys group sold for £30m

BY CHRISTOPHER PARKES IN LONDON

HAMLEYS of Regent Street, one of the world's most famous toy shops, has been sold for £30m (£45m) cash to Harris Queensway, the British retailer.

Burton Group, another UK retailer, put Hamleys on the market in May as part of a plan to reduce the £300m debt burden which resulted from its £500m takeover of the Debenhams stores group. Debenhams bought Hamleys in 1978 for £4.78m.

British retailers Woolworth Holdings, and Ward White and Toys R Us of the US are also understood to have bid for the toy chain, which includes three shops in addition to the central London flagship store where mobs of children wrestling with stuffed toys of the size of sofas mingle with regulars such as the Sultan of Brunei.

Hamleys had sales of £20m and pre-tax profits of £2.3m for the year to January 25. Net tangible assets were then £4.3m and are currently estimated at £5m, according to Goldman Sachs International, the US investment bank which handled the sale for Burton.

Sir Philip Harris, chairman of Harris Queensway, is confident that the 230-year-old toy shops business will blend in nicely with his already widely-diversified retailing empire.

Sir Philip opened the bidding with a £25m offer when Burton

started the auction in May. "It is a unique name which has not been used as it should have been," Sir Philip said. In two years toys could be returning profits of £10m from 10 or 12 outlets, he added, marking down Edinburgh, Manchester, Bristol and Guildford among likely sites for expansion. He also plans to open another London store.

Mr Peter Hindley, newly-appointed chief executive of Hamleys - and already at his desk yesterday afternoon atop the multi-storey playroom in London's Regent Street which serves as the chain's main outlet - said he hoped to have four or five new stores open in city centres by the middle of next year.

In the more distant future, Sir Philip sees potential overseas for his latest acquisition and, ultimately, the group as a whole.

Hamleys has an international reputation which stretches far beyond the Regent Street doorstep of its London flagship. "It could add an international flavour to our shares in places like the US, Sweden and Switzerland," he said, musing on the prospect of franchising the Hamleys name among overseas store operators. It must, however, get its home base operating properly before it can perfect the formula for foreign adventures, according to Mr Hindley.

Norway to ease N. Sea taxes

Continued from Page 1

Shell said that the initial Norwegian tax package, announced in June, would have given the company a return of less than 4 per cent on its Troll investment, assuming an oil price of \$15. This compared to a typical return expected by the industry of about 15 per cent.

The Norwegian's original package included the removal of royalty payments on new fields and reduced the rate of special tax from 35 to 30 per cent.

However, they also removed an "offset" - an offset against special

tax - which the oil companies argued should be kept in place. Today's changes, due to go before parliament in November, go some of the way to answering the industry's complaints.

Settlement of the tax question will remove one obstacle to the Troll project. A second major sticking point is the length of the licence awarded to the partners.

Shell has said that the present plan, under which its licence expires in 2019, is inadequate, and it is fighting for an extension until 2030.

World Weather table with columns for location, temperature, and other weather metrics.

THE LEX COLUMN Scent of victory for Unilever

If Unilever made a serious error in its cheapskate approach to Richardson-Vicks last year, it is making no mistake in its bid for a company that is even more deeply entrenched against takeover, Naarden. Not content with bidding at almost double the price of a share which has underperformed badly since 1983, it has picked up 40 per cent of the equity, and is in talks with the board; a management trust holds 25 priority shares, which carry the sole right of nominating the board. Just in case, Unilever voted yesterday for a plan to convert all the equity into non-voting shares if a competing bid is made.

The chances of a cut by the Bank of Japan look much slimmer. So far rate cuts have done little to hold down the yen balloon, and now reluctance is being put on loosening restrictions on capital outflows to let out the hot air. A fiscal stimulus in next month's mid-budget would allow more at home and, together with one rate cut, would be Japan's modest contribution to world deflation.

capital. It is the ultimate in self-defeating rights issues. The attractiveness to the institutions of the method is implicit in the offer to cancel no more than 20 per cent of the issue. Were more to be cancelled then the underwriting would be seen to be getting too much of a bargain. The argument can not be taken to its logical conclusion because the TSB has insisted that no one shareholder may hold more than 5 per cent of the equity. The same neurotic tendency at the TSB has ruled out a decision not to pay for any underwriting at all for an issue for which mass advertising and a free handout seems to be having the desired effect. The advertising costs of £20m are more than twice the savings achieved by the cutting of underwriting fees.

Interest rates

After failing to persuade West Germany and Japan to join it in a round of interest rate cuts, the US has turned to beating them instead. Its unilateral ½-point cut in the discount rate on Wednesday night might have had little effect on markets, but may put enough pressure on Germany at least to follow suit. The domestic reasons that country has used to avoid a cut so far - strong economic expansion, zero inflation and above-target money growth, plus perhaps a reluctance to bale out countries which have failed to get their own economies right - are now being overpowered by more pressing external forces for a reduction. The D-Mark's rise against the dollar, and more importantly its position in the EMS, is becoming a problem. While there seems to be some division within the Bundesbank, next Thursday's meeting could produce a move. That might come in the shape of a

TSB underwriting

The official view that no-one owns the assets of the TSB has up till now caused nothing but confusion. But the same concept has now prompted an intellectually elegant solution to the problem of how to underwrite such a controversial issue. Lazard Brothers and Rowe & Pitman would not have been thanked by the Government had they allowed the City institutions their normal underwriting fees when it is clear that about £300m of assets are being given away free with the issue.

BET

The meddling by Hawley in BET's rather hasty attempt to vacuum up two cleaning and building services companies has cost BET a few million pounds but is probably no more than a temporary check. With the agreement of its management and yesterday's tiny increase, Brengreen is in the bag and the outlook for HAT's continued independence against a 20 per cent interest offer is not good: its share price closed at 130p, up 2p, smack in between the share offer and the cash alternative.

ADVERTISEMENT

UPDATE

A Bulletin about New Business from Northern Engineering Industries plc

Vessels for Sellafield The Pressure Vessels and Fabrications unit of NEI International Combustion has won orders for five vessels, worth a total of £2m, for British Nuclear Fuels' Thermal Oxide Reprocessing Plant at Sellafield.

Engines for Iraq W H Allen has been awarded a contract worth nearly £650,000 to supply two 2,200kW diesel alternator sets for the Karth water supply scheme, Baghdad.

Plant for Aldermaston The Sendaic unit of NEI International Combustion has obtained an order worth £650,000 for pneumatic coal and ash handling equipment for the Atomic Weapons Research Establishment at Aldermaston.

Instruments for BT Edgcombe Instruments has won orders from British Telecom worth more than £500,000 for its new cable fault locator.

Synrolift Success Pearson Engineering has obtained orders for Synrolift shiplifts for Australia, the USA and Alaska.

Switchgear for Malby Reyrolle Distribution Switchgear has won an order worth more than £500,000 for three switchgear units for Malby Colliery in South Yorkshire.

Locos for Gedling Clayton Equipment has won an order worth more than £500,000 for three electric underground mining locomotives for Gedling Colliery, Nottinghamshire.

Hymacs for Egypt NEI Thompson has won an order worth more than £500,000 to supply 19 Hymac 580D hydraulic excavators to local authorities in Egypt.

Good Progress at Rihand

NEI's £400m contract to build a 100MW coal-fired power station at Rihand in India is on schedule for the running of the first 50MW unit in the last quarter of 1987.

The main emphasis of the contract has now moved from the UK factories where the components are being manufactured, to the site where erection and assembly work is now making steady progress.

Project management and engineering of the contract is being handled by NEI Projects Ltd, while other NEI companies are supplying the main boilers, structural steelwork, cranes, transformers, switchgear control and instrumentation systems, water treatment plant, pumps, cooling water systems and auxiliaries.

By mid-1986 8,000 tonnes of equipment - out of the total of 105,000 tonnes for which NEI is responsible - had been shipped or was ready for shipment, and 60,000 tonnes had been delivered to site.

All the equipment has had to be of extremely high quality to meet the stringent operational requirements of the customer. It will have to be capable of operating in very high ambient temperatures and levels of humidity.

The photograph is the latest view of the power station under construction.

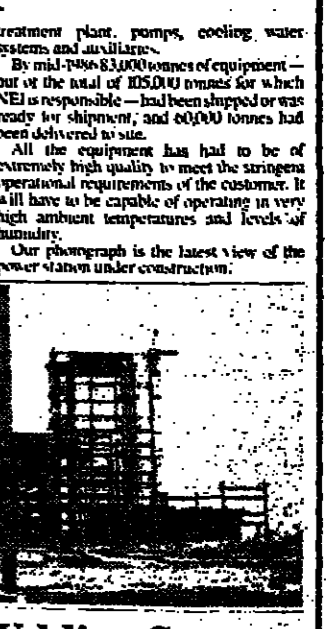
£4m Orders for Welding Systems

Thompson Welding Systems has won orders worth a total of more than £4m for friction welding machines and welding robots.

Friction welding machines have been sold to Caterpillar in the USA and Belgium, to Fiat in Italy and Bachy in Sweden. In addition three machines have been sold to the USSR.

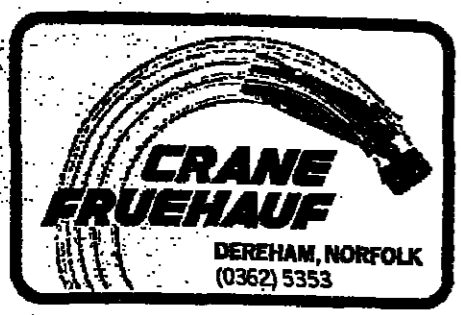
The Japanese construction equipment company Komatsu has ordered a flexible manufacturing system for its new plant at Brilley in Tyne and Wear. It will consist of three NEI Trolat cartesian robots and 2 Trolat articulated robots, all served by a multi-axis track loader.

A further two robot cells are being supplied to Herman Miller of Bristol, for welding furniture components, and to Seltman Fisher of Wolverhampton, for welding sheet metal components. Both of these systems use NEI Waka control "Clam-Mag" magnetic welding power sources, a unique design which provides superior force levels.



NEI logo and company information for Northern Engineering Industries plc

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# SECTION II - COMPANIES AND MARKETS

## FINANCIAL TIMES

Friday August 22 1986

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### Y.K. Pao quits as bank adviser

**By Our Financial Staff**

SIR YUE-KONG PAO, the Hong Kong shipping magnate who was this week invited to become deputy chairman of Standard Chartered Bank in the UK, has resigned as an adviser to the board of the rival Hongkong and Shanghai Banking Group.

Hongkong Bank said, however, that it and Sir YK's World-Wide Group would remain partners in a number of shipping ventures and that he would remain a personal adviser on shipping to Sir Michael Sandberg, chairman of the bank.

Last month Sir YK acquired 14.9 per cent of Standard Chartered as part of moves which thwarted a takeover attempt by Lloyds Bank of the UK. He is a former deputy chairman of Hongkong Bank and also has extensive interests in property.

Standard Chartered and Hongkong Bank are the British administered territory's two note-issuing banks, and each advises the Government on monetary affairs.

Liberty Life, the South African life assurance group which has been expanding its UK presence, boosted net earnings 94.6 per cent to £33.6m (£13.7m) in the half year to June.

Net premium income was 27.4 per cent ahead at £430.2m while investment and other income showed slightly better growth at £217.9m, up 30 per cent. The interim dividend is being lifted from 125 cents to 150 cents.

Dresser Industries, the US oil services group, is to reduce short-term and long-term debt and purchase up to 15 per cent of its outstanding common stock on the open market in the next 12 to 15 months.

Dresser said its total capitalisation consisted of about 25 per cent debt and 75 per cent equity. Its recapitalisation plan would maintain about the same debt-to-equity ratio by reducing debt and purchasing some of its common stock.

Avon Products said it would sell a new line of imported perfume in US department stores next year, marking the first departure from its 100-year-old door-to-door selling policy.

Its Parfums Phenix subsidiary will offer its Deneuve line of fragrances to a group of retailers across the country with the aim of reaching 200 to 300 stores by next spring.

### FOOD AND DETERGENT MULTINATIONAL PURSUES TAKEOVER PLAN

## Unilever claims 40% of Naarden

BY LAURA RAUN IN NAARDEN

UNILEVER, the Anglo-Dutch food and detergents group, said yesterday that it held more than 40 per cent of the shares of Naarden International, the Dutch flavours and fragrances company with which it is discussing a full takeover.

At the same time yesterday, Naarden shareholders including Unilever, voted in an extraordinary meeting to give company management the right to invoke anti-takeover measures if the Unilever discussions failed. Unilever apparently cast all its 1.45m votes in favour of the protective measures, which would be triggered if a competing bid were made.

The meeting was previously scheduled to consider proposed "shark repellent" measures, and an

other extraordinary meeting will be held - probably in October - on the likely bid by Unilever.

Most of the 178 shareholders present yesterday, representing nearly a third of all common shares outstanding, heartily welcomed the possible bid, calling it "brilliant." Institutional investors are also expected to accept Unilever's contemplated public bid of £190 a share.

"Our whole aim is to have a stronger company," explained Mr J. P. Guepin, chairman of Naarden's board of management. "We don't want one plus one to equal two but to equal three."

Mr A. G. van den Bos, chairman of the supervisory board, told journalists after the orderly one-and-a-quarter-hour meeting that he had

no quarrel with Unilever's lightning move into the open market to buy Naarden stock immediately after announcing its possible public bid. Unilever cannot buy more than 50 per cent of Naarden shares on the open market under Dutch law, but the rest of the shareholders appear willing to sell.

The "shark repellent" measures - issuance of share certificates and preference shares - can still be invoked if the Unilever negotiations fail or if an unwanted competing bid is made. Share certificates, which have no voting rights and are administered by a trust company, are a widely used protective technique in the Netherlands.

The relatively rare acquisition of Dutch companies is explained by

the frequency of share certificates plus the independent-mindedness of Dutch companies and their wide geographical spread.

One possible hitch is a question over Unilever's registration of its 1.45m shares purchased on Monday in order to qualify for voting rights in yesterday's meeting. But Naarden management assured shareholders that Unilever's stock was officially registered and besides little resistance to a possible takeover is expected.

Mr van den Bos angrily denied that any insider trading had occurred, noting that he was first approached by Unilever on June 9 and that the Amsterdam stock exchange had found no violations.

Lex, Page 10

### Toys R Us raises quarterly earnings

By Terry Byland in New York

TOYS R US, the leading US toy specialist retailer, saw earnings score a welcome increase in the second quarter, but this still leaves the group showing a minor drop in profits for the first half of the year. Mr Charles Lazarus, chairman, is "optimistic that we are well positioned to generate increased sales and profits in the second half."

Net profits gained 11 per cent to \$13.1m for the quarter on sales 21 per cent ahead at \$426m. But an increase in shares in issue holds per-share earnings to 10 cents, only 1 cent higher than last time.

Earnings dipped by 2.5 per cent to \$23.4m for the first six months, with net profits per share 18 cents against 19 cents. After the improved sales rate of the second quarter, first-half sales are 17 per cent up at \$794m.

In the stock market, Toys' shares edged up by \$4 to \$33 1/2 as investors responded cautiously to the earnings news. After a weak first quarter, Wall Street is pinning its faith on a strong recovery in the final six months of fiscal 1986.

### BET lifts bids for Brengreen and HAT

BY LIONEL BARBER IN LONDON

BET, the diversified UK industrial services group juggling with two takeover bids in the cleaning and scaffolding sector, yesterday raised its offers for Brengreen and the HAT group to a combined value of £146m (\$204.4m) and declared them final.

The new BET offers follow a snap agreement with Mr Michael Ashcroft, chairman of Hawley Group, the contract cleaning business, late on Wednesday night, to acquire Hawley's strategic stakes in Brengreen and HAT.

The new HAT offer, worth £114.6m, is a 19.3 per cent increase on its original terms announced last month and is contested. The revised Brengreen offer is only marginally above the agreed bid unveiled at the same time.

Over the past three weeks, Hawley steadily built up a stake of 28 per cent in Brengreen and 8.6 per cent in HAT. Mr Ashcroft appeared to be engaged in a spoiling operation.

Last night, Mr David Telling,

chairman of HAT, rejecting the revised BET offer, suggested that BET might have struck a side deal with Hawley with a view to breaking up HAT's paints, scaffolding and cleaning business.

Mr Nicholas Wills, BET's chief executive, said the suggestion was disgraceful. Baring Brothers and N. M. Rothschild, BET's advisers, both denied the allegations.

BET's revised share offer for HAT includes a cash alternative of 135p. It is offering 78 new shares for every 200 in HAT. On the basis of last night's closing price for BET, unchanged at 400p, the bid values HAT, up 2p to 139p, at 149p a share.

BET's revised offer for Brengreen includes a one-for-nine share offer and a cash alternative of 50p a share, the price at which Hawley sold. Brengreen firmed by 3p to close at 49p, just below the value of its share offer. On last night's closing price the bid values Brengreen at 50.3p or about £32m.

Lex, Page 10

### PPG buys medical electronics groups in diversification move

BY OUR FINANCIAL STAFF

PPG INDUSTRIES of Pittsburgh yesterday announced the \$100m purchase of two medical electronics companies in its first diversification from its traditional glass, coatings and chemicals businesses.

The group, the profits growth of which has been sluggish in the past year, has signed agreements to buy Honeywell's medical electronics unit and Litton Industries' Hallige medical electronics business in cash and notes.

The Honeywell unit, based in Pleasantville, New York State, produces instrumentation for hospital cardiac catheterisation laboratories and disposable products. Litton's

medical unit makes patient monitoring equipment and other instruments at Freiburg, West Germany, and has sales and service subsidiaries throughout Europe.

The agreements are subject to certain corporate and government approvals, including that of the West German cartel office. Definitive terms of the proposed deals were not disclosed.

Mr Vincent Sarni, PPG's chairman, said the company's plan to enter the high-technology medical business represented a big shift away from its traditional activities. The aim was to ensure future growth and profits since the com-

pany's automotive and residential units, representing more than half its business, were growing slowly.

The profit margins in the medical units were also higher than in PPG's existing businesses and the purchases would not dilute earnings. The company is considering further high-technology acquisitions.

PPG, the world's largest producer of flat glass, had net income of \$303m last year - the same as in 1984 - on sales of \$4.3bn. It hopes the medical acquisitions will, as a fourth business unit, represent 10 to 20 per cent of its revenues by the end of the decade.

### Cullinet losses total \$10.6m in quarter

By Louise Kehoe in San Francisco

CULLINET Software, the US mainframe computer programs supplier, reported losses and reduced sales for the quarter ending July 31, blaming its problems on a general softness in the US computer market.

Losses for the quarter totalled \$10.6m, or 35 cents a share, compared with net income of \$4.2m, or 14 cents, in the same period last year. Revenues declined to \$31.8m.

The quarterly loss includes a charge of \$7m attributed to the write-off of the assets of Computer Pictures which was acquired by Cullinet in 1982. The company said that Computer Pictures' technology had made a "negligible" contribution to its product strategy.

Continued softness in the mainframe computer market, reductions in capital spending and general economic uncertainty affected Cullinet sales, the company said.

### KDI to cede board control

By Our Financial Staff

KDI Corporation, a Cincinnati maker of electronics and defence components, yesterday agreed to cede board control to Impala Pacific, a Hong Kong-based investment vehicle for Mr Bruce Judge's Arjanne Australia.

An outline agreement between KDI and Impala came three-and-a-half weeks after the predator gave notice of its intention to secure board dominance and stepped up its share buying to reach a current level of about 42 per cent.

### Panhandle Eastern to spin off petroleum unit

BY WILLIAM HALL IN NEW YORK

PANHANDLE Eastern, the US natural gas pipeline group which rebuffed an unwelcome takeover bid earlier this year, is to split itself in two by spinning off its Anadarko Petroleum unit to its shareholders.

The spin-off will be accomplished by distributing all of the common stock of Anadarko, which has assets of \$1.3bn, on the basis of one Anadarko share for each Panhandle share. Panhandle has about 51.5m shares outstanding.

Mr Robert Hunsucker, Panhandle's chief executive, said: "Separating the natural gas transmission business from the oil and gas business should enable stockholders to realise more fully the value inherent in each business."

Although there had been some speculation that Panhandle would maintain its quarterly dividend after the spin-off, the company said it was recommending that the dividend be reduced from 57.5 cents a share to 50 cents. Meanwhile, Anadarko said it would pay an initial quarterly dividend of 7 1/2 cents a share.

Panhandle's decision to spin off its lucrative oil and gas operation had been widely predicted and follows the recent abortive \$50 a share takeover bid for Panhandle by Wagner & Brown, a private Texas oil group. Following the spin-off, Panhandle will have assets of \$3.1bn and will concentrate on its gas transmission business.

### Hiram Walker given merger go-ahead

BY ROBERT GIBBENS IN MONTREAL

HIRAM WALKER Resources and Gulf Canada, both majority controlled by the Reichmann family of Toronto, have received Ontario Supreme Court permission to go ahead with a corporate merger.

Hiram Walker, an energy and distilling group, has committed itself to continuing as a corporate entity. This will not affect the unresolved issue of whether Allied-Lyons, the UK food and drinks group, has the right to buy Hiram Walker's liquor business for C\$2.0bn (US\$2bn).

The issue is subject to litigation by both Allied-Lyons and the Reichmanns through their Olympia and York Developments holding company.

Hiram Walker will call a shareholders' meeting in Toronto on September 18 to vote on the merger plan and will seek the Ontario Supreme Court's final approval on September 18.

In effect, the Reichmanns are saying none of the shares or assets

of Hiram Walker's liquor business will be affected by the merger plan. But Allied-Lyons' lawyers have indicated they will object to the plan at the September 18 meeting.

Under the proposal, Gulf and Hiram Walker would be put into a new Gulf Canada holding company with Hiram Walker shareholders exchanging their shares on the basis of one Hiram Walker for 2.6 new Gulf Canada shares. Alternatively they can take C\$38 a share in cash.

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July 1986

# INTL. COMPANIES & FINANCE

## Investor group buys Dr Pepper for \$416m

BY OUR NEW YORK STAFF

DR PEPPER, the third-biggest US soft drinks manufacturer, is to be sold for \$416m to an investor group consisting of two investment banks and including members of Dr Pepper's senior management team.

The deal follows the breakdown of Coca-Cola's \$470m bid for Dr Pepper, which was challenged by the Federal Trade Commission (FTC) last month, and marks the second change in ownership in less than two years.

Forstmann, Little, a New York firm which specialises in leveraged buy-outs and took Dr Pepper private in 1984, announced that it had agreed to sell Dr Pepper to a group of investors consisting of Shearson Lehman Brothers Holdings, part of the New York investment bank,

Hicks & Haas, a Dallas investment firm, and certain members of Dr Pepper's management.

Mr Theodore J. Forstmann, a general partner of Forstmann, Little, said: "While we were, of course, disappointed that the injunction obtained by the FTC did not permit us to complete the sale of Dr Pepper to Coca-Cola, the present transaction is an attractive one."

"When we acquired Dr Pepper in February 1984, we set out to reduce expenses and improve the operations of the company. This sale, which provides our investors with a return of almost 8.5 times their original equity investment, shows that we achieved the goals we set when the company was acquired."

## James River profits soar 84% in quarter

BY TERRY DODSWORTH IN NEW YORK

JAMES RIVER, the large US paper group which has concluded several acquisitions over the last 12 months, achieved an 84 per cent increase in net profits in the first quarter of its fiscal year.

Net income amounted to \$40m, or \$58 a share, against \$22m, or \$48 a share, in the same period of last year. Sales jumped to \$1.1bn from \$830m.

The company said the results reflected the purchase of Crown Zellerbach, the forest products group formerly controlled by Sir James Goldsmith, the Anglo-French financier, as well as the contribution to sales and earnings of Cerec and Premold for the full quarter and Canada Cup and Handi-Kup for shorter periods. Both of the last two

purchases have reinforced the group's position in the plastic and foam cup industry.

Earlier this year, James River concluded the purchase of Crown Zellerbach after Sir James Goldsmith had reorganised the group to split off the forest assets, which he retained. James River has since sold the paper distribution segment of Crown to Mead Corporation in a transaction which has generated \$250m in cash.

In addition to the contribution of the new acquisitions, James River said that its operating results were favourably affected by modest increases in prices of uncoated communications paper and pulp although prices of coated papers declined from Crown's prior years.

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ABC  
Union Bank of Norway

|   |   |  |
|---|---|--|
| Banca Commerciale Italiana              | Banca del Gotardo                         | BankAmerica Capital Markets Group                          |
| Bank of Montreal                        | Bankers Trust International Limited       | Banque Arabe et Internationale d'Investissement (B.A.I.I.) |
| Barclays de Zoete Wadd Limited          | Baring Brothers & Co., Limited            | Bayerische Vereinsbank                                     |
| Chemical Bank International Group       | Citicorp Investment Bank Limited          | County NatWest Capital Markets Limited                     |
| Dai-ichi Kangyo International Limited   | Den Danske Bank                           | DG BANK  |
| EBC Anro Bank Limited                   | First Chicago Limited                     | Dresdner Bank  |
| Genossenschaftliche Zentralbank AG      | EF Hemon & Company (London) Ltd.          | Robert Fleming & Co. Limited                               |
| Handelsbank Limited                     | Kleinwort Benson Limited                  | Robur International Limited                                |
| Kidder, Peabody International           | Mitsubishi Finance International Limited  | The Nikko Securities Co., (Europe) Ltd.                    |
| Manufacturers Hanover Limited           | PaineWebber International                 | Pearson, Hellding & Pierson N.V.                           |
| Orion Royal Bank Limited                | Prudential-Bache Securities International | Provisbankers A/S  |
| Vererig- und Wesbank                    | Semiotomo Finance International           | Societe Generale   |
| Sparkassen SDS                          | Svenska Handelsbanken Group               | Sumitomo Trust International Limited                       |
| Svenska Handelsbanken Group             | Taipei International Bank (Europe) S.A.   | Swiss Vofsbank, Leppin Branch                              |
| Taipei International Bank (Europe) S.A. | Tokai International Bank (Europe) S.A.    | Tokai International Bank Ltd                               |
| Toronto Dominion International Limited  | Union Bank of Finland Ltd                 | Yamaichi International (Europe) Limited                    |
| Vererig- und Wesbank                    | Wood Gundy Inc.                           | Yamaichi International (Europe) Limited                    |

NEW ISSUE The securities referred to above have not been registered under the United States Securities Act of 1933 and may not be offered or sold in the United States or to United States persons as part of the distribution. This announcement appears as a matter of record only.

August, 1986

## Protea cuts underwriting loss

BY JIM JONES IN JOHANNESBURG

PROTEA ASSURANCE, the South African subsidiary of Sun Alliance, reduced its underwriting deficit in the first half of this year but, like its competitors, suffered from a sharp increase in crime-related claims. The directors say that motor and fire operations improved and that the company had increased its penetration of the life market.

Net premiums written were R54.9m in the six months to June against R48.9m in the first half of last year and R92.5m for 1985 as a whole. The first half underwriting deficit was R1.39m against last year's first half deficit of R3.02m and the year's R10.19m. First half net profit is increased to R3.32m from R1.2m despite a small drop in investment income, and helped by an increase in shareholders' share of life profits.

The interim dividend has been held at 6 cents though first-half earnings rose to 42 cents from 15.2 cents. Last year earnings totalled 10.8 cents and a total dividend of 18 cents was paid.

French Bank, the South

African associate of Banque Indosuez, increased disclosed interim profit by almost half in the first six months of this year.

Profit after tax and transfers to and from hidden reserves rose to R3.69m in the period to June 30 from R2.49m in the same period last year and R7.46m for the last full year.

The company has specialised in the financing of agricultural exports.

Mr Ted Pavitt, deputy chairman, is reluctant to make a forecast for the second half because of the current political climate and uncertainty about economic recovery. First half earnings rose to 35.46 cents a share from 29.96 cents and the interim dividend has been raised to 7 cents from 5.5 cents.

Abercom, the troubled South African industrial holding group, returned to profits in the year to June 30, but has continued to shed loss-making interests. Turnover rose to R27.9m from R20.05m and the pre-tax profit of the remaining divisions increased to R11.8m from R11.3m. Pre-tax losses

of discontinued operations dropped to R4.7m from R25.4m.

Group interests largely centre on manufacturing industrial firms in South Africa and the US, and components for the motor and building industries in South Africa.

Earnings from continuing operations increased to 35 cents a share from 33 cents, and the dividend has been raised to 15 cents from 12 cents. Abercom is an indirect subsidiary of Sanlam, South Africa's second largest insurance group.

Lion Match, the 64 per cent owned South African subsidiary of Wilkinson Sword, increased its turnover to R55.1m in the first six months of this year from R50.8m in the first six months of the previous 18-month trading period. For the 18 months to December 31 1985 turnover was R125.1m. Interim operating profit rose to R6.7m from R5.6m.

First half's earnings increased to 41.5 cents a share from 33.8 cents and the interim dividend has been raised to 22 cents from 17 cents.

## Boliden plans to shed 400 mining jobs

BY Sara Webb in Stockholm


BOLIDEN, the Swedish metals, chemicals and mining group, yesterday announced a series of cost-cutting measures related to group mining activities. Measures have been prompted by falling metal prices and will lead to the loss of about 400 jobs.

Boliden plans to wind down the state-owned Stenonjokk mine by the end of 1987 with the loss of about 200 jobs. Boliden is the contractor at the mine by the end of 1987 with the company said.

Shifts at the Aktik mine near Gavleware will be reduced from three to two, with the loss of about 150 jobs.

Boliden has been hard hit by low metal prices. The company reported a steep drop in profits after financial items for the first quarter of 1986, down to SKr 47m (\$6.8m) compared with SKr 114m in the first quarter of 1985.

All of these securities have been sold.  
This announcement appears as a matter of record only.



## Espirito Santo Financial Holding S.A.

US \$40,000,000

8 per cent. Convertible Notes due 2001  
issued on a fiduciary basis by  
Kredietbank S.A. Luxembourgise

The following, inter alia, have subscribed for the Notes

|                                    |                                |
|------------------------------------|--------------------------------|
| Espirito Santo Group               |                                |
| Euromobiliare S.p.A. Milano        | Kredietbank S.A. Luxembourgise |
| Dominion Securities Pitfield Ltd   | Darier & Cie                   |
| Banque Intercommerciale de Gestion | Rahn & Bodmer, Bankers         |

Arranged by  
Morgan Grenfell & Co. Limited

## Pancontinental pays modest first dividend

By Kenneth Marston, Mining Editor

PANCONTINENTAL MINING, the expanding Australian mining house, is joining the dividend list with a modest 2.5 cents (1p) payment for the year to last June. It accompanies a forecast advance in earnings for the period to A\$24.5m (£10m or US\$13m) from an initial profit of A\$8.49m for 1984-85.

Latest earnings have been boosted by the first full year of operations at the Paddington gold mine in Western Australia. By the year-end the capacity of the ore treatment plant had been expanded to 1.2m tonnes per annum which will increase gold output in the current year.

Higher gold prices in terms of weak Australian dollars have helped gold earnings and also those of coal exports via the holding in the Central Queensland Coal Associates and Gregory coal mining joint ventures.

The original interest in these ventures was 3 per cent in 1984 and a further 2 per cent was acquired in July last year. Because of the need to build up a stockpile of coal shipments under the increased stake did not start until September, 1985, so earnings will reflect the full impact of the 5 per cent interest in the current year.

### NOTICE OF REDEMPTION

#### WALT DISNEY PRODUCTIONS INTERNATIONAL FINANCE N.V.

12 1/2 per cent. Guaranteed Notes Due 1989

Notice is hereby given that, pursuant to the provisions of the Fiscal and Paying Agency Agreement dated as of September 15, 1982 among Walt Disney Productions International Finance N.V., Walt Disney Productions, as Guarantor, and Bank of America International S.A., Luxembourg, as Fiscal and Paying Agent, all of the above Guaranteed Notes, constituting US\$75,000,000 in principal amount, will be redeemed and prepaid on September 15, 1988 at 101 per cent of the principal amount thereof together with accrued interest thereon to said redemption date.

Interest on said Guaranteed Notes shall cease to accrue on the redemption date and on said date the redemption price will become due and payable on each of said Guaranteed Notes.

Payment of Guaranteed Notes will be made upon presentation and surrender thereof, together with all coupons, if any, appurtenant thereto maturing subsequent to the redemption date, at the office of Bank of America International S.A., 35, Boulevard Royal, Luxembourg, or at the option of the holder, at BankAmerica International 37-41 Broad Street, P.O. Box 466, Church Street Station, New York, New York 10004, U.S.A., or Bank of America N.T. and S.A., 25 Cannon Street, London EC4A 3DF, England, or Bank of America N.T. and S.A., 43-47 Avenue de la Grande Armee, 75116 Paris, France, or Bank of America N.T. and S.A., 34 Van Eyckdele, 8200 Antwerp 1, Belgium, or Swiss Bank Corporation, Gartenstrasse 9, CH-4002 Basle, Switzerland, or Bank of America N.T. and S.A., Mainzer Landstrasse 46, 6000 Frankfurt/Main, Germany, or Bank of America N.T. and S.A., Bleicherweg 15, P.O. Box 5230, CH, Zurich, Switzerland.

NOTICE  
Withholding of 20 per cent. of gross redemption proceeds of any payment made within the United States is required under United States federal income tax law unless the United States paying agent has the correct tax payer identification number (social security number or employer identification number) or an exemption certificate of the payee.


Walt Disney Productions International Finance N.V.  
By Bank of America International S.A., Luxembourg,  
Fiscal and Paying Agent

Dated August 15, 1988

The following, inter alia, have subscribed for the Notes

|                                    |                                |
|------------------------------------|--------------------------------|
| Espirito Santo Group               |                                |
| Euromobiliare S.p.A. Milano        | Kredietbank S.A. Luxembourgise |
| Dominion Securities Pitfield Ltd   | Darier & Cie                   |
| Banque Intercommerciale de Gestion | Rahn & Bodmer, Bankers         |

Arranged by  
Morgan Grenfell & Co. Limited



### THE KOREA DEVELOPMENT BANK


US \$100,000,000  
Floating Rate Notes 2001

Holders of Floating Rate Notes of the above issue are hereby notified that for the interest period from August 26, 1986 to February 26, 1987 the following information is relevant:

- Applicable Interest Rate: 6 1/4% per annum
- Interest payable on next Interest Payment Date: US \$325.83 per US \$10,000.00 nominal or US \$8,145.83 per US \$250,000.00 nominal
- Next Interest Payment Date: February 26, 1987

August 21, 1986 BA Asia Limited  
Reference Agent

### Notice of Redemption





### THE KINGDOM OF SPAIN

5375,000,000  
Floating Rate Notes due 2005

NOTICE IS HEREBY GIVEN that, pursuant to Condition 4 (b) of the Notes, The Kingdom of Spain (the "Kingdom") has elected to redeem on September 22, 1988 (the "Redemption Date") all of its outstanding Floating Rate Notes due 2005 (the "Notes") at par. On and after the Redemption Date, interest on the Notes will cease to accrue and unmatured Coupons will become void.

The Notes should be presented and surrendered to the Paying Agent as shown on the Notes on the Redemption Date with all interest coupons maturing subsequent to the said date.

The Kingdom of Spain  
August 22, 1986. By Citibank, N.A. (CSSI Dept)  
London, Principal Paying Agent

### THE CHASE MANHATTAN CORPORATION

US\$250,000,000  
Floating Rate Notes due 1991

For the six months  
20th August 1986 to 20th February 1987  
the Notes will carry an interest rate of 6 1/4% per annum with an interest amount of U.S.\$313.06 per US\$10,000 Note and U.S.\$1565.28 per U.S.\$50,000 Note payable on 20th February 1987

Bankers Trust Company, London Agent Bank




### National Bank of Sharjah

U.S.\$25,000,000  
Floating Rate Certificates of Deposit due 1988

In accordance with the provisions of the above Certificates, notice is hereby given that for the six months from 21st August 1986 to 23rd February 1987, the Certificates of Deposit will carry an interest rate of 6 1/4% per annum.

The interest payable on each U.S.\$250,000 Certificate on the relevant interest payment date, 23rd February 1987 will be U.S.\$8,638.02

Agent Bank: Lloyd's Bank



### IDB INTERNATIONAL N.V.

U.S.\$30,000,000  
Guaranteed Floating Rate Notes 1990

Unconditionally and irrevocably guaranteed as to payment of principal and interest by  
ISRAEL DISCOUNT BANK LIMITED

For the six months  
21st August 1986 to 23rd February 1987  
the Notes will carry an interest rate of 6 1/4% per annum.

The relevant Interest Payment Date will be on 23rd February, 1987

Bankers Trust Company, London Agent Bank

### FIRST CHICAGO OVERSEAS FINANCE N.V.

U.S.\$100,000,000 Guaranteed  
Floating Rate Subordinated Notes  
Due 1994

For the three months  
21st August, 1986 to 21st November, 1986  
the notes will carry an interest rate of 6 1/4% per annum with a coupon amount of U.S.\$162.92. The relevant interest payment date will be 21st November, 1986.

Listed on the London Stock Exchange

Bankers Trust Company, London Agent Bank

INTERNATIONAL COMPANIES and FINANCE

First-half sales and profits setback for Mannesmann

By Rupert Cornwell in Bonn

MANNESMANN, the leading West German steel pipes and engineering group, yesterday reported that first-half sales and profits this year were down on 1985, as a result of the crisis affecting its key pipes and tube division, in turn owing to the problems of the world oil industry.

The group gave no earnings figure, but said that the division had been operating at a loss since April. In 1985 Mannesmann's steel tubes business broke even, having lost DM 218m (\$106m) in 1984. The group as a whole reported a balance sheet profit of DM 141m for last year.

New tube and pipe orders booked in the first six months were 30 per cent fewer than in the comparable period of 1985, meaning that total orders in hand at June 30 had fallen by 40 per cent from last year.

Two Danish banks lift operating earnings

By Hilary Barnes in Copenhagen

TWO OF Denmark's biggest banks, Danske Bank and Privatbanken, have achieved improvements in first-half operating earnings, but net profits were adversely affected by unrealised losses on the value of the securities portfolios, reflecting a fall in bond prices in Copenhagen.

Danske Bank increased earnings before depreciation, loss provisions, and the portfolio adjustment from Dkr 991m to Dkr 621m (\$80.4m), but the 1986 figure included an extraordinary income of Dkr 30m.

Finland issues \$100m Eurobond

By Clare Pearson

FINLAND borrowed \$100m of 10-year fixed rate dollar funds yesterday, but otherwise Euro-dollar new issuing activity was subdued in the wake of Wednesday night's 4 point cut in the US discount rate.

Finland, rated triple-A by both rating agencies, is generally viewed favourably, especially by Japanese investors. With a coupon of 7 1/2 per cent, this bond was priced at 101 1/2 to give it a yield margin of 61 basis points over comparable US Treasury bonds.

Dealers thought these terms reasonable, although they said some investors were reluctant to buy long-term paper with the discount rate now at the lowest level for nine years. The bond, led by Citicorp, was quoted late in the day at a bid price of 98 1/2, the level of its total fees.

Deutsche Bank also launched an expected issue of 250,000 warrants into a 6 per cent 10-year bond. The warrants are exercisable at DM 25 for a DM 1,000 bond during a one-year period.

Steep fall in net income at Arabian Oil

By Yoko Shibata in Tokyo

ARABIAN OIL, the Japanese oil producer which operates in the neutral zone between Saudi Arabia and Kuwait, suffered an 82.6 per cent slide in first-half pre-tax profits to Y113.79bn (\$129m) from Y113.79bn.

Increased stake in MLC boosts Lend Lease result

By Robert Kennedy in Sydney

LEND LEASE, the Australian property developer, benefited from its increased investment in MLC, the financial services group, aiding a 44 per cent net profit increase from A\$52.2m (US\$32m) to A\$75.1m in the year to June.

The MLC contribution jumped from A\$8.4m to A\$24.9m. Lend Lease lifted its holding from 49 per cent to full control during the year. Without MLC, Lend Lease would have achieved a profit increase of about 16 per cent.

Gambro 11.6% ahead at halfway stage

By Sara Webb in Stockholm

GAMBRO, the Swedish manufacturer of kidney dialysis equipment, reported an 11.6 per cent increase in half-year profits after financial items - from SKr 44.1m to SKr 49.2m (\$7.15m).

Liffe details proposals for link with Sydney exchange

By Peter Montagnon, Euromarkets Correspondent

THE London International Financial Futures Exchange (Liffe) yesterday announced formal details of its plan for trading links with the Sydney Futures Exchange starting in October, its first such exercise with an overseas exchange.

The links will allow trading in Liffe's key Eurodollar and US Treasury Bond futures contracts to proceed continuously from around 10 pm London time to 4 pm with only a short 1-hour break between the close of the Sydney exchange and the opening of Liffe itself.

Malaysia fears allayed by \$350m Euroloan launch

By our Euromarkets Correspondent

MALAYSIA HAS launched a \$350m 10-year loan in the Euro-markets, which bankers say should finally lay to rest fears that surfaced earlier this year about its ability to service its \$16.7bn foreign debt.

The fully-underwritten deal, mandated to a nine-bank group of lead managers, follows hard on the heels of the landslide election victory of the government of Prime Minister Mahathir Mohammed, although negotiations started before polling took place.

FT INTERNATIONAL BOND SERVICE

Listed are the 200 latest international bonds for which there is an adequate secondary market.

Table with columns for Issuer, Issue, Maturity, Coupon, and Yield. Includes entries for American Express, British Petroleum, and various international governments.

Creditanstalt Bankverein to issue 'flexi-bond'

By Patrick Blum in Vienna

Creditanstalt Bankverein, Austria's largest bank, will issue a Sch 500m (\$35m) "flexi-bond" later this month to help raise its capital ratio in accordance with requirements under new banking law, the bank said yesterday.

Tetterode plans rights issue

By our Financial Staff

BUEHRMANN-TETTERODE, the Dutch paper, printing and packaging group, plans a rights issue and share split after reporting an 80 per cent increase in consolidated net profits, to Fl 32.3m (\$14m) from Fl 18m, in the first six months of this year.

ASIAN TRANCHE—U.S. \$20,000,000

Daiwa Singapore Limited

Yamaichi International (H.K.) Limited
ANZ Finance (Far East) Limited
Banca del Gottardo
Daiwa Overseas Finance Limited
DBS Bank
Jardine Fleming (Securities) Limited
Mitsui Finance Asia Limited
Orion Royal Pacific Limited
Singapore International Merchant Bankers Limited
The Sumitomo Trust Finance (H.K.) Limited
United Merchant Bank Limited

EUROPEAN TRANCHE—U.S. \$40,000,000

Yamaichi International (Europe) Limited

Daiwa Europe Limited
Banque Paribas Capital Markets Limited
Baring Brothers & Co., Limited
James Capel & Co.
Commerzbank Aktiengesellschaft
Credit Suisse First Boston Limited
Handels Bank N.W. (Overseas) Ltd.
Kawit Investment Company (S.A.K.)
Samuel Montagu & Co. Limited
Morgan Grenfell & Co. Limited
Morgan Guaranty Ltd
Morgan Stanley International
Sanwa International Limited
Sumitomo Finance International
Taiheyo Securities Co., Ltd.
Tokai International Limited

Convertible Bonds

Table listing convertible bonds with columns for Issuer, Issue, Maturity, Coupon, and Yield. Includes entries for Algonquin, Fuji Heavy, and various international companies.

Foreign Exchange Rates

Table showing exchange rates for various currencies including the Dollar, Swiss Franc, and Japanese Yen.

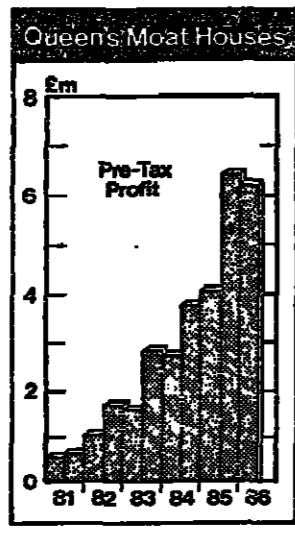
Dainippon Pharmaceutical Co., Ltd. advertisement featuring a logo with the letter 'P' and text describing the company's products and financial offerings.

Additional financial data and market commentary at the bottom of the page, including a note about information availability and a copyright notice for The Financial Times Ltd. 1986.

UK COMPANY NEWS

Queens Moat leaps 55% to over £6m at midway

HALFTIME PROFITS from Queens Moat Houses were at the top end of the market's expectations. They showed a 55 per cent advance to £6.26m pre-tax (£4.05m) and the trading growth was expected to continue for the rest of 1986.



Financing would be well within current resources, particularly in view of the recent £35m mortgage debenture issue with borrowing fixed at 104 per cent for the next 84 years.

comment

Some two-thirds of Queens Moat Houses' revenue comes from the food and beverage aspects of its operations rather than tucking people up in bed, so although occupancy levels were roughly level at 65 per cent, the buoyancy of its conference and banqueting activities helped produce organic growth of around 17 per cent at the trading profit level.

These were factors that justified optimism for the future, he said. Confidence for the rest of this year was backed up by the wide scope that remained for acquisitions and expansion of existing properties.

Turnover of the group, which claims to be Britain's second largest independent hotelier with 72 hotels, increased by 21 per cent to £42.9m in the six months ended July 13 1986. Revenues were £33,000 (£23,000) and interest charges £3m (£2.75m), while tax took £1.5m (£89,000) to leave the net

profit at £5m (£3.24m). Earnings came to 2.98p (1.86p). The interim dividend is lifted from 0.765p to 0.9p net; there is a one-for-five scrip issue and the chairman said he expected the final dividend to be maintained on the new capital, thereby raising the year's total by 18 per cent.

Maxwell lifts his stake in Extel

MR ROBERT MAXWELL, chairman of British Printing & Communication Corp (BPCC), yesterday bought a further 1.23m shares in Extel Group to take the total holding owned by himself and associates to 29.96 per cent of Extel's equity.

from 17.3 to 27.3 per cent. He was making further purchases until yesterday. Mr Maxwell is prevented from making a full takeover bid for Extel until April 1987 following a Takeover Panel ruling that he was acting in concert with a previous bidder, Demerger Corporation.

holds 28.36 per cent of Extel. Pension funds associated with him own 0.7 per cent and Henry Ansbacher, his merchant bank adviser, has 2.9 per cent. In a separate move BPCC announced it had irrevocably undertaken to accept its £35m takeover bid from the owners of 51.6 per cent of the shares of Philip Hill Investment Trust. BPCC owns a further 1.4 per cent of Philip Hill.

Bestwood is close to winning Barrie

By Nick Dunbar Bestwood, the fast-growing investment and property services group headed by Mr Tony Cole, is close to winning its takeover battle for Barrie Investments Ltd Finance.

Mr Geoffrey Seckling, Barrie's chairman, told shareholders in July that the £17m Bestwood bid was "wholly inadequate and should be rejected." But yesterday, Bestwood announced that Barrie's board has now agreed unanimously to recommend shareholders accept the offer.

The previous offer, made on July 16, was for Bestwood shares for every 125 Barrie ordinary shares, with a 16p cash alternative.

Mr Cole said the acquisition would give Bestwood a market capitalisation of more than £40m, and expand to £7m the loan book of the company's financial services division.

Poor second half leaves Dale Electric in the red

BY ALICE RAWSTHORN

Dale Electric International announced its first loss for 20 years yesterday. The combination of operating problems at Dale GB, the generator set manufacturer, and at its Thai subsidiary produced a pre-tax loss of £960,000.

In the year to April 27 Dale's turnover rose to £37.9m (£36.1m), but trading profits fell to £437,000 (£1.56m). The company is highly geared, however, and interest payable increased to £1.26m (£1.15m). This, combined with exceptional debt of £497,000, for writing off the initial investment in the Thai subsidiary, produced a pre-tax loss, compared to pre-tax profits of £544,182 in the previous year. Dale will pay a total dividend of 9p (4.5p), the final being 1.5p.

"Naturally we are very disappointed at these results especially as we produced a pre-tax profit in the first half of the year," said Mr Palmer, group chief executive.

At Dale GB the company suffered from bad debts and from the decline in export business, which was heavily reliant on the oil economies of Saudi Arabia and Nigeria. In Thailand—where the Dale subsidiary assembles generator sets—the company was hit by the doubling of import duty on components. The Thai subsidiary also suffered because of the default of a trading partner, against whom Dale has begun legal proceedings.

Dale has undergone a series of senior management changes in the course of 1986 following the death of its founder and chairman, Mr Leonard Dale. Mr Joseph Palmer has succeeded him as chairman; Mr Iain Dale has become group chief executive; and Mr Richard Thompson and Mr Thomas Nairn have become managing directors of the subsidiaries, Houchi and Dale GB, respectively.

pared for Dale's lurch into losses — analysts had anticipated profits of between £500,000 and £900,000 — and the shares fell by 9p to 51p yesterday. If Dale succeeds in cutting its cost base at Dale GB then the company should be in a position to take a more flexible stance on orders and steer clear of the high risk contracts which led to this year's bad debts.

comment The City was wholly unprepared for Dale's lurch into losses — analysts had anticipated profits of between £500,000 and £900,000 — and the shares fell by 9p to 51p yesterday.

Dowty £6m expansion in naval sonar systems

By Philip Cogan

Dowty Group engineers, has taken over Waverley Electronics, a Weymouth-based advanced naval sonar systems manufacturer, for £5.8m. The acquisition is designed to strengthen Dowty's position in the underwater warfare market.

Waverley, which was formed in 1961, supplies sidecan sonar systems to the Royal Navy and to the commercial market, and is involved in the development of the towed array scanning system. In the year to February 4 1986, turnover was £5.6m (£4.6m) with operating margins around 9 per cent.

Radofin losses again hit Fobel

BY JOHN SHEPHERD

FURTHER HEAVY losses of just under £4m pre-tax, against £4.5m, were incurred by Fobel International in 1985, again due to problems at its 51 per cent owned electronics manufacturing subsidiary in Hong Kong, Radofin.

However, Mr Alan Leboff, Fobel's chairman, said that the "problems are now behind us" and anticipated that the current year would show a good level of profitability.

Radofin, once the catalyst for a surge in Fobel's share price, is currently being supported on a short-term basis by its bankers until its position becomes clearer.

Fobel's losses over the past two years have eliminated distributable reserves. There is no final dividend.

Fobel acquired in June, have warranted not less than £300,000 pre-tax for this year.

Fobel also revealed yesterday that legal action is being taken against the company by Timber Hill Holdings, which acquired the major part of its UK DIY division for £4.9m in 1985.

Lack of US visitors hits S & N hotels

The absence of American visitors to Britain and beyond was a major factor in the hotel trade that has been a little quieter than anticipated this year, according to industry officials.

Mr David Nickson, the chairman, referred to his statement of early July when he warned of difficulties on the hotel side, but overall looked for another year of sound progress.

Earlier this week, Scottish & Newcastle announced the agreed purchase of Home Bakery (Robin Hood products) for £120m in cash, ordinary shares, and convertible preference shares.

GT's Berry purchase attacked

BY CHARLES BATCHELOR

Ensign Trust, which is bidding £90m for Berry Trust, another investment trust, yesterday criticised the intervention of GT Management in the bid battle.

GT and group of its supporters last week bought a near 20 per cent stake in Berry to help its defence. GT wanted to prevent Ensign gaining control of Berry and the 11.7 per cent stake in GT which Berry owns.

Ensign's chairman said GT had bought the Berry shares from Kingdom President Institution at a price considerably higher than the then market price.

Greene, King

The latest investigation by the Monopolies Commission into the brewing industry was unnecessary, the chairman of Greene, King & Sons, Suffolk-based brewer, told the annual meeting.

SUTHER has further increased its stake in Thames, maker of toughened glass products, and holds 1.63m ordinary shares, or 14.01 per cent.

Turner & Newall has 18% of AE

Turner & Newall, the mining and engineering group bidding £244m for AE, the motor components business, has raised its stake in AE to 17.6 per cent.

Acorn may cut Olivetti's stake via share issue

Acorn, the Cambridge-based computer company, is considering a share issue which would dilute the 80 per cent stake held in it by Olivetti, the Italian electronics group.

Acorn and Olivetti have been discussing for some time how the latter could reduce its stake once Acorn returned to profitability.

It is expected that Acorn will announce pre-tax profits of about £1m on September 1 for the six months to June, its first profit since it was rescued by Olivetti last year.

LADBROKE INDEX table with columns for index value and date.

NOTICE OF REDEMPTION To Holders of

Northwest International Finance N.V. Northwest International Finance B.V.

9% Convertible Subordinated Debentures Due 1996 (Guaranteed on a Subordinated Basis by Northwest Energy Company) and 16 2/3% Subordinated Debentures Due 1996 (Guaranteed on a Subordinated Basis by Northwest Energy Company)

NOTICE IS HEREBY GIVEN, that pursuant to the provisions of the Indenture dated as of July 15, 1981 among Northwest International Finance N.V., Northwest International Finance B.V. (collectively "the Issuers"), Northwest Energy Company, as Guarantor, and The Chase Manhattan Bank, N.A., as Trustee (the "Trustees"), as supplemented and modified by that certain First Supplemental Indenture dated as of January 1, 1984 (the "First Supplemental Indenture")...

Conversion of 9% Debentures into Cash As an alternative to redemption, holders of 9% Debentures have the right as more fully set forth in the First Supplemental Indenture to convert 9% Debentures in whole or in part into a cash price of U.S. \$1,600.2469 per U.S. \$1,000 principal amount of 9% Debentures which is equivalent to the conversion rate of 41.2371 shares of Common Stock of the Guarantor (the "Common Stock") per \$1,000 principal amount of 9% Debentures multiplied by \$39.00 which was the value of the Common Stock immediately prior to the Effective Date on which Williams Northwest Company merged with and into the Guarantor.

INASMUCH AS THE AMOUNT OF CASH RECEIVABLE UPON CONVERSION OF THE 9% DEBENTURES SUBSTANTIALLY EXCEEDED THE AMOUNT OF CASH WHICH WOULD BE RECEIVED UPON REDEMPTION, HOLDERS OF 9% DEBENTURES SHOULD CONVERT THEIR 9% DEBENTURES ON OR BEFORE THE REDEMPTION DATE, AT WHICH TIME THE RIGHT TO CONVERT THEIR 9% DEBENTURES INTO CASH WILL TERMINATE.

IN ORDER TO BE CONVERTED, 9% DEBENTURES (WITH THE CONVERSION NOTICE COMPLETED AND SIGNED) MUST BE RECEIVED BY THE TRUSTEE AT THE OFFICES SPECIFIED BELOW PRIOR TO THE CLOSE OF BUSINESS ON THE REDEMPTION DATE.

16 2/3% Subordinated Debentures Due 1996 (Guaranteed on a Subordinated Basis by Northwest Energy Company) NOTICE IS ALSO HEREBY GIVEN, that pursuant to the provisions of the Indenture dated as of July 15, 1981 among Northwest International Finance N.V., Northwest International Finance B.V. (collectively "the Issuers"), Northwest Energy Company, as Guarantor, and The Chase Manhattan Bank, N.A., as Trustee (the "Trustees"), as supplemented and modified by that certain First Supplemental Indenture dated as of January 1, 1984, all of the Issuers' 16 2/3% Subordinated Debentures Due 1996 (sometimes the "16 2/3% Debentures" and together with the 9% Debentures sometimes the "Debentures") will be redeemed on September 25, 1986 (the "Redemption Date") at a Redemption Price of 105% of the principal amount thereof (the "Redemption Price") together with interest accrued on the principal amount (including any additional interest, if any) to the Redemption Date. The proceeds of a U.S. \$1,000 16 2/3% Debenture upon redemption including accrued interest will be U.S. \$1,052.05.

The following provisions are applicable to both 9% and 16 2/3% Debentures: On the Redemption Date, the Redemption Price together with interest accrued on the principal amount (including additional interest, if any) will become due and payable upon each Debenture and, upon surrender of the Debentures together with all coupons, if any, appertaining thereto maturing after the Redemption Date, the Redemption Price together with interest accrued on the principal amount (including additional interest, if any) to the Redemption Date will be paid. On and after the Redemption Date, interest on the Debentures will cease to accrue. Debentures together with all coupons, if any, appertaining thereto maturing after the Redemption Date should be surrendered for redemption at any one of the following offices of the Trustee and the paying agents as follows:

- The Chase Manhattan Bank, N.A. 1 New York Plaza - 14th Floor New York, New York 10038 Attention: Corporate Bond Redemptions
The Chase Manhattan Bank, N.A. 63 Rue du Rhône 1204 Geneva, Switzerland
Nederlandsche Credietbank, N.V. Herengracht 458 Amsterdam, The Netherlands
Berliner Handels- und Frankfurter Bank 10 Bockenheimer Landstrasse Frankfurt/A.M.1, West Germany
The Chase Manhattan Bank, N.A. Woolgate House, Coleman Street London, EC 2P 2HP, England
Chase Manhattan Bank, Luxembourg S.A. 47 Boulevard Royal, CP240 Luxembourg, Luxembourg
Banque de Commerce S.A. 51/52 Avenue de la Gare Brussels, Belgium
Banque de Paris et des Pays-Bas 3 Rue d'Artois Paris 2E, France

A form of Letter of Transmittal for use in transmitting your Debentures is available at any of the above-named paying agents. Payment upon presentation of Debentures for redemption or conversion to the paying agent in New York, New York, or other payment made within the United States, including by transfer to a United States dollar account maintained by the payee with a bank in the Borough of Manhattan, the City of New York, may be subject to reporting to the United States Internal Revenue Service (IRS) and to backup withholding of 28% of the gross proceeds (including premium) and accrued interest if the payee fails to provide the correct taxpayer identification number on IRS Form W-9 and who fail to do so may also be subject to an IRS penalty of U.S. \$50. Accordingly, please provide all appropriate certification when presenting the Debentures for payment upon redemption or conversion.

Northwest International Finance N.V. Northwest International Finance B.V. Northwest Energy Company By: THE CHASE MANHATTAN BANK, (National Association), as Trustee

Dated: August 22, 1986

Booker goes mushroom picking

By Charles Batchelor

Booker McConnell, the agriculture, health products and food distribution group, is expanding its mushroom business to include a subsidiary in the latest in a series of acquisitions.

Middlebrook, based near Selby, Yorkshire, is Britain's third largest mushroom producer after the Heils and Ranko Horvis McDougall groups. It produces 12m lbs of mushrooms annually from three farms and made a pre-tax profit of £509,305 on sales of £7.5m in 1985.

Booker is paying £5.2m immediately for Middlebrook with up to £1.47m to follow in instalments for 1986 and 1987 as achieved.

Middlebrook was put up for sale following the death of one of its two sons of the founder, Mr Paul Middlebrook. Mr Paul's widow, Mrs Barbara, will remain as joint managing director under Booker.

DIVIDENDS ANNOUNCED

Table with columns: Company Name, Current payment, Date of payment, Current div., Total of 1986, Total of 1985.

BOARD MEETINGS

Table with columns: Company Name, Meeting Date.

GENBEL INVESTMENTS LIMITED (Incorporated in the Republic of South Africa) FINANCIAL RESULTS AND DIVIDEND DECLARATION FOR THE YEAR ENDED 30 JUNE 1986. Includes financial statements and dividend declaration table.

UK COMPANY NEWS

Johnson Group rises but feels impact of weaker \$

DESPITE a slightly lower turnover, Johnson Group Cleaners was able to lift its profits for the first six months of 1986 from £3.53m to £4.01m pre-tax. However, Mr Philip Bolton, the chairman, pointed out yesterday that with some 30 per cent of group turnover now deriving from the US, the weaker dollar against sterling had made a significant impact on the results.

In the UK sales and margins in retail drycleaning were hit early in the year by adverse weather but there was a marked improvement in May and June when most of the lost ground was recovered.

Group turnover for the half year declined from £45.26m to £43.95m and at the trading level profits fell from £5.26m to £5.1m.

The pre-tax result benefited from a £43,000 reduction in interest charges to £1.14m.

Tax, however, took £358,000 more at £1.3m but extraordinary credits this time of £384,000, against previous debits of £190,000, left available profits 22 per cent ahead

at £3.29m. Earnings, pre-extraordinary items, worked through at 20.64p (22.05p). The interim dividend is being lifted from 4.2p to 5p net per 25p share, partly to reduce disparity, and should not be taken as an indication of the likely total increase for the year.

UK textile rental sales and profits continued to improve during the half year.

The small laundry at Arbroath was closed in January and Stevenson's laundry at Aberdeen was sold to Initial in March. The workwear rental operation at Stevenson's was retained and has been transferred to Pullars at Perth.

He added that while exchange rates would continue to play an important part, he was confident of the ability of the US businesses to generate further profit to move forward more rapidly, the directors said.

The directors pointed out that the Wadkin Group continued incurring losses in the first quarter of 1986, totalling some £440,000. Extensive corrective action was taken, immediately after the acquisition which resulted in Wadkin becoming profitable by June.

The combined woodworking machinery businesses of Robinson and Wadkin made the group one of the three largest producers of woodworking equipment in the world, said the directors.

Product rationalisation was currently being undertaken which would be completed during the final quarter of 1986. The cost of that was estimated

at £2m, which had been provisioned for in the half-year figures as an extraordinary item.

Combination of the production and marketing operations of the enlarged business had enabled many savings to be made, and trading prospects were viewed with enthusiasm. Apart from bringing profits to the group, the management team at Vicars added strength to the process engineering division.

In the current financial statements, Vicars has been treated on a merger accounting basis and comparative figures have been adjusted accordingly.

First half tax was £400,000 (nil). Stated earnings per 25p share were up from 1.3p to 8.9p base, and from 1.3p to 7.6p fully diluted.

Cattle's confident after 35% advance

ALTHOUGH IT UK operations showed increased profits, the reduction in the value of the Zimbabwe dollar resulted in a fall in pre-tax profits at United Packaging from £1.29m to £1.12m in the year to April 30 1986.

The West Yorkshire-based company is quoted on the USM and acts as a holding company for a group engaged in the manufacture and distribution of packaging goods in the UK, Zimbabwe and Botswana.

A final dividend of 1.85p is proposed, compared with an adjusted 1.5p, bringing the total for the year to 3.25p (2.7p adjusted).

Mr E. L. Ascher, the chairman, said that the company had always discounted the Zimbabwe earnings in formulating the dividend policy. Stated earnings per 10p share based on UK earnings rose from 7.81p to 9.1p, while earnings based on group attributable profits fell from 19.72p to 13.03p.

Total turnover for the year improved from £9.27m to £9.55m, with UK sales ahead at £6.9m (£6.45m) generating profits of £644,000 (£597,000), and overseas sales down from £2.83m to £2.65m, which contributed profits of £476,000 against £697,000.

Utd. Packaging hit by currency fall

In Zimbabwe the cotton spinning plant was now in full production, Mr Ascher said, with most of its output for the next year being sold to overseas markets. Part of the blocked dividends, about £80,000, will be remitted to the UK in the current financial year, he added.

United Packaging has always produced rather schizophrenic results with two calculations for earnings per share—one with, and one without, Zimbabwe. For these results emphasis is on the UK figures since the Zimbabwe dollar's decline has hit foreign earnings. Although this year should see some remittance of Zimbabwe dividends, the overseas figures are again heavily dependent on exchange rate movements. In the UK, orders so far this year are at record levels and 15 per cent growth should push UK pre-tax profits to £750,000. More spectacular growth will have to await a major acquisition which the company has long desired, but not yet achieved. On UK earnings alone, the shares at 95p, are on a modest p/e of 8.5, a substantial discount to the packaging sector.

The directors said that as a consequence of intense competition for high quality commercial hire purchase and leasing business, activity in this area had been reduced as a result of the refusal to take on new business as only marginally profitable rates.

The overall percentage charge for bad debts in the financial services division was marginally better than in the previous year—1985 had benefited from the clawback of a large part of the special provision created in 1984 due to the misers' strike.

In relating Rosebys turnover increased by 35 per cent, but a much better sales performance was anticipated. It was pointed out that trading conditions for household textiles had not been good since last autumn, but had early indications from the first few weeks of the second half were that a good sales performance could be expected for the remainder of the year.

The directors said interest rates had not fallen as quickly as events in the early part of the year had suggested: the average costs of borrowing for the last six months was similar to the same period last year.

They added, however, that even at current levels group borrowing costs would be lower in the second half compared with the second half last year.

Turnover for the half year totalled £44.12m (£43.47m). Interest charges rose to £1.95m (£1.7m) and tax to £539,000 (£445,000).

J. Jarvis returns to the black

A RETURN to profits and the dividend list were announced yesterday by J. Jarvis & Sons, the London-based building and civil engineering contractor.

Following the intervention of institutional investors, the company underwent a number of boardroom changes last year. The most significant were the appointments of Mr David Seely as non-executive chairman and Mr J. E. Rouiller and Mr J. Hugh Jones as non-executive directors.

Group turnover for the year to end-March 1986 amounted to £26.55, against £18.26m, and generated an operating profit of £280,000 compared with losses of £577,000.

This improvement, however, was depressed by £192,000 of exceptional debits. Together with a £33,000 (£95,000) share of associate losses, the pre-tax profit emerged at £59,000 compared with losses of £706,000.

In addition, there were extraordinary debits of £422,000 which left an attributable loss of £214,000 (£597,000) — tax credits totalled £33,000 (£109,000).

Earnings per 25p share, pre-extraordinaries, were 10.1p (losses 59.5p). The directors proposed a final dividend of 10p, which compared with a total payment of 17.5p in 1984-1985 when the final was 10.3p.

Garfunkels ahead 27% in first half

Current trading figures at Garfunkels Restaurant give the directors every reason to believe that 1986 will be another good year.

For the half year ended June 29, 1986, they reported that pre-tax profit rose from £1.2m to £1.53m, or by 27 per cent. Turnover showed a lift of 24 per cent to £12.4m.

The group currently owns 70 restaurants of which 64 were trading at the end of June. Recently, contracts were exchanged for the purchase of a further five at a cost of £1.6m satisfied by the issue of 1.34m ordinary shares. The sites were in London (3), Birmingham and Aylesbury.

During the half year the group opened eight new restaurants and refurbished five existing restaurants at a capital cost of £3.4m.

Earnings for the period came to 3p (2.7p) and the interim dividend is again 0.215p net. Net profit worked through at £599,000 (£781,000) and last time there was an extraordinary credit of £38,000.

The group has been expanding steadily over the recent past, but 1985 saw its profits jump from £2m to £3.4m. Apart from its own name, the group operates as Deep Pan Pizza, Biguns Ribs, Casa Pasta, Black Angus Steak House, Guggenheim's, and Strikes.

Thos. Robinson soars to £1.6m

INTEGRATION AND rationalisation of its acquisitions helped Thomas Robinson Group to greatly improve its profits in the six months to June 30 1986. Prospects for the remainder of the year were encouraging, said the directors yesterday.

Pre-tax profits soared from £136,000 to £1.53m on turnover substantially higher at £18.35m compared with £8.67m. No interim dividend is again being paid—no payment of any kind has been made since May 1982.

Acquisitions of the Vicars Group, which was bought for a consideration of £11.9m in May, and the Wadkin Group, purchased earlier in the year, had not only strengthened Thomas Robinson in both the major markets in which it was trading, but had brought with

them the expertise which would help TROG to move forward more rapidly, the directors said.

The directors pointed out that the Wadkin Group continued incurring losses in the first quarter of 1986, totalling some £440,000. Extensive corrective action was taken, immediately after the acquisition which resulted in Wadkin becoming profitable by June.

The combined woodworking machinery businesses of Robinson and Wadkin made the group one of the three largest producers of woodworking equipment in the world, said the directors.

Product rationalisation was currently being undertaken which would be completed during the final quarter of 1986. The cost of that was estimated

at £2m, which had been provisioned for in the half-year figures as an extraordinary item.

Combination of the production and marketing operations of the enlarged business had enabled many savings to be made, and trading prospects were viewed with enthusiasm. Apart from bringing profits to the group, the management team at Vicars added strength to the process engineering division.

In the current financial statements, Vicars has been treated on a merger accounting basis and comparative figures have been adjusted accordingly.

First half tax was £400,000 (nil). Stated earnings per 25p share were up from 1.3p to 8.9p base, and from 1.3p to 7.6p fully diluted.

Weather blamed for SAI loss

INTERIM results at Scottish Agricultural Industries reflected the depressed environment in which Scottish agriculture had continued to operate since last year.

This Edinburgh-based agricultural products group plunged further into the red in the six months to June 30 1986 with pre-tax losses of £1.4m compared with losses of £355,000 at the previous year-end, and profits of £200,000 for the opening half of last year. Sales were down from £51.8m to £49.8m, and there was a trading loss of £200,000 against profits of £1m.

The directors said yesterday that overall demand for fertilisers in Western Europe was, at best, flat. During the year from June 1985 to May 1986, fertiliser usage fell by approximately 10 per cent.

That was largely due to the appalling weather in the late Summer and Autumn of 1985, which severely restricted Autumn sowings and greatly reduced farm incomes, and in the Spring of 1986, gave no reasonable opportunity to farmers to recover effectively.

The directors added that, overall, with no early improvement predicted for the company's fertiliser business, the year would be a difficult one. They have decided, therefore, to reduce the interim dividend from 6.5p to 4p net—last year a total of 12.5p was paid.

There was a first half tax credit of £800,000 (£400,000), leaving an attributable loss to members of the holding company of £800,000 (£1.2m profit) base, per £1 share was 9.4p (14.2p earnings).

SAI is 62.4 per cent owned by ICI.

**NOTICE TO LOMBARD DEPOSITORS**

|  |   |  |
|--|---|--|
| Rates for depositors entitled to receive gross interest                            | Rates for depositors entitled to receive net interest | Gross equivalent to a basic rate tax payer |
| <b>14 Days Notice</b><br>Minimum deposit is £2,500                                 |   |  |
| <b>9%</b>  | <b>6-72%</b>  | <b>9-46%</b>                               |
| <b>Cheque Savings Accounts</b>   |   |  |
| When the balance is £2,500 and over  |   |  |
| <b>8 1/2%</b>  | <b>6-35%</b>  | <b>8-94%</b>                               |
| When the balance is £250 to £2,500   |   |  |
| <b>6 1/2%</b>  | <b>4-85%</b>  | <b>6-83%</b>                               |
| Interest is credited on each published rate change, but not less than half yearly. |   |  |
| <b>Lombard North Central</b>   |   |  |
| 17 Bruton St. London W1A 3DH.  |   |  |

**GRANVILLE**

Granville & Co. Limited Telephone 01-621 1212  
8 Lovat Lane London EC3R 8BP Member of FIMBRA

| High | Low | Company                 | Price    | Change | Gross Yield | P/E    | Fully  |
|------|-----|-------------------------|----------|--------|-------------|--------|--------|
|      |     |                         | div. (p) | %      | %           | Actual | Actual |
| 148  | 118 | Ass. Bnt. Ind. Ord.     | 132      | —      | 7.3         | 5.5    | 8.1    |
| 151  | 121 | Ass. Bnt. Ind. CULS     | 131      | —      | 10.0        | 7.6    | —      |
| 125  | 43  | Airsprung Group         | 108      | —      | 7.6         | 7.0    | 6.8    |
| 48   | 23  | Armstrong and Rhoads    | 35       | —      | 4.3         | 12.3   | 4.3    |
| 196  | 108 | Bardon Hill             | 163      | —      | 4.6         | 2.5    | 20.8   |
| 80   | 42  | Bray Technologies       | 79       | —      | 4.3         | 5.4    | 9.4    |
| 201  | 76  | CCL Ordinary            | 85       | —      | 2.9         | 3.4    | 6.0    |
| 152  | 85  | CCL 1 1/2p Conv. Pl.    | 86       | —      | 15.7        | 18.3   | —      |
| 237  | 80  | Carborundum Ord.        | 52       | +3     | 9.1         | 3.8    | 11.4   |
| 94   | 83  | Carborundum 7.5p Pf.    | 27       | —      | 10.7        | 11.8   | —      |
| 75   | 45  | Deborah Services        | 76       | +1     | 7.0         | 9.2    | 7.9    |
| 32   | 20  | Frederick Parker Group  | 23       | —      | —           | —      | —      |
| 125  | 50  | George Blair            | 120      | —      | 3.8         | 3.2    | 5.1    |
| 70   | 20  | Ind. Precision Castings | 70       | —      | 3.0         | 4.3    | 18.5   |
| 218  | 156 | Iais Group              | 168      | —      | 15.0        | 8.9    | 12.9   |
| 122  | 101 | Jackman Group           | 122      | +2     | 6.1         | 5.0    | 8.3    |
| 370  | 228 | James Burrough          | 370      | —      | 17.0        | 4.6    | 10.4   |
| 100  | 85  | James Burrough 3pcP.    | 98ad     | —      | 12.9        | 13.2   | —      |
| 95   | 56  | John Howard Group       | 97       | —      | 5.0         | 8.8    | —      |
| 1035 | 345 | Malthouse W             | 910      | +20    | —           | —      | 47.7   |
| 380  | 260 | Record Ridgeway Ord.    | 374      | —      | 14.1        | 15.8   | —      |
| 100  | 89  | Record Ridgeway 10pcP.  | 89       | —      | —           | —      | 3.2    |
| 83   | 32  | Robert Jenkins          | 72       | +2     | —           | —      | 4.5    |
| 38   | 28  | Scruttons "A"           | 38       | —      | —           | —      | 8.7    |
| 105  | 68  | Tanday and Carlisle     | 106      | +1     | 5.7         | 4.4    | 6.4    |
| 370  | 320 | Trevar Holdings         | 320      | —      | 7.9         | 2.5    | 6.7    |
| 70   | 25  | Unitech Holdings        | 67       | —      | 2.8         | 4.2    | 12.3   |
| 203  | 83  | Walter Alexander        | 200      | -3     | 9.5         | 5.0    | 11.3   |
| 228  | 190 | W. S. Yustas            | 196      | —      | 17.4        | 8.9    | 19.6   |

**DnC**

U.S. \$300,000,000


**FLOATING RATE CAPITAL NOTES DUE 1986**

Convertible at the option of Den Norske Creditbank into Primary Capital Perpetual Floating Rate Notes

In accordance with the provisions of the Notes, notice is hereby given that for the Interest Period from August 21, 1986 to February 23, 1987 the Notes will carry an Interest Rate of 6 1/4% per annum and the Coupon Amount per U.S. \$100,000 will be U.S. \$319.69 and per U.S. \$100,000 will be U.S. \$3,196.88.

August 22, 1986  
By: Citibank, N.A. (CSSI Dept.), Agent Bank **CITIBANK**

NEW ISSUE This announcement appears as a matter of record only. August, 1986



**SUMITOMO CORPORATION OVERSEAS CAPITAL LIMITED**  
(Incorporated with limited liability in the Cayman Islands)

**U.S. \$30,000,000**


**3 per cent. Guaranteed Bear Notes due 1989**  
*Unconditionally and irrevocably guaranteed as to payment of principal and interest by*

**SUMITOMO CORPORATION OF AMERICA**  
(Incorporated with limited liability in the State of New York)

**Issue Price 100 per cent.**

|  |   |
|--|---|
| Daiwa Europe Limited                   | Sumitomo Trust International Limited    |
| Banca del Gottardo                     | Banque Nationale de Paris               |
| Citicorp Investment Bank Limited       | Manufacturers Hanover Limited           |
| Mitsubishi Trust International Limited | The Nikko Securities Co., (Europe) Ltd. |
| Nomura International Limited           | J. Henry Schroder Wagg & Co. Limited    |

NEW ISSUE This announcement appears as a matter of record only. August, 1986



**SUMITOMO CORPORATION OVERSEAS CAPITAL LIMITED**  
(Incorporated with limited liability in the Cayman Islands)

**U.S. \$30,000,000**

**3 per cent. Guaranteed Bull Notes due 1989**  
*Unconditionally and irrevocably guaranteed as to payment of principal and interest by*

**SUMITOMO CORPORATION OF AMERICA**  
(Incorporated with limited liability in the State of New York)

**Issue Price 100 per cent.**

|  |   |
|--|---|
| Daiwa Europe Limited                   | Sumitomo Trust International Limited    |
| Banca del Gottardo                     | Banque Nationale de Paris               |
| Citicorp Investment Bank Limited       | Manufacturers Hanover Limited           |
| Mitsubishi Trust International Limited | The Nikko Securities Co., (Europe) Ltd. |
| Nomura International Limited           | J. Henry Schroder Wagg & Co. Limited    |

# It takes a special kind of bank to be a power in both corporate trust and Eurosecurities.

## It takes Bankers Trust.



When Storer Communications was acquired recently by its management and SCI Holdings, Inc.—a corporation organized by Kohlberg, Kravis, Roberts & Co.—Bankers Trust was selected as exchange agent for the \$2.6 billion acquisition. Our specialized reorganization processing team handled twelve of the largest mergers in 1985, totaling over \$10 billion.



You might expect a bank with "Trust" in its name to be a powerful force in corporate trust and agency services.

So it should come as no surprise that more than 2,000 corporate and governmental entities worldwide depend on Bankers Trust to service over \$150 billion in securities. (We exercise fiduciary responsibility for over \$80 billion in debt securities alone.)

But for the same bank to be a major force in the Euromarkets—that might seem surprising. Yet last year, Bankers Trust lead-managed 26 Eurosecurity offerings totaling \$2.5 billion. And was one of the most active partici-

pants in the secondary market, where we are a market-maker in over 500 different Eurosecurities.

Such dual leadership is the result of Bankers Trust's remarkable brand of banking: merchant banking.

Merchant banking blends two distinct aspects of banking. One is the lending capabilities and breadth of non-credit services of a commercial bank. Among these are our trust and agency services.

The other half of merchant banking involves the intermediary skills and entrepreneurial spirit of an investment bank. From this half springs our strength in the Euromarkets.

It's this combination of investment and commercial banking services that has made Bankers Trust the choice of so many private and public sector entities. For more often than not these days, what once were purely commercial banking functions now require a considerable degree of investment banking know-how. And vice versa.

The combination has given Bankers Trust leadership in many areas. Among them:

**Trading.** From our regional trading rooms in New York, London and the Far East, we execute over \$18 billion in money, securities, and currency transactions daily. Bankers Trust is today one of the five largest primary United States government securities dealers and one of the acknowledged leaders in foreign currency trading.

**Loan syndication.** Bankers Trust plays a major role in the global syndicated loan and Euronote market. We are sixth among the top 50 lead managers worldwide, and are ranked fifth by leading participants in the world's capital markets in terms of innovative instruments and pricing.

**Swaps.** Bankers Trust is a universally acknowledged market leader in the intricate world of currency and interest rate swaps. In 1985, our team of specialists in New York, London, Tokyo, Hong Kong and Toronto completed an average of more than three deals every day.

**Securities services.** Bankers Trust's securities services capabilities go far beyond our leadership in worldwide custody and clearance. We also offer programs like Institutional Brokerage, Securities Lending and Dividend Plus to maximize the earning power of the securities we service.

In almost every area, Bankers Trust's merchant banking skills can serve you, and serve you well. Indeed, many clients now turn to us for virtually all of their banking needs.

**Merchant banking.** If you're not yet taking advantage of it, you should. With the special kind of bank that can best put it to work for you: Bankers Trust.

In 1985, Bankers Trust brought a \$350 million Eurobond issue to market for the European Economic Community. It was the largest bond and swap issue ever, and one of many arranged by Bankers Trust.



### Bankers Trust Company

Dashwood House, 69 Old Broad Street, London Kishimoto Building, 2-1 Marunouchi, Tokyo

Merchant banking, worldwide.



EQUITIES

Table with columns: Issue, Price, Change, etc. Lists various equity issues and their performance.

FIXED INTEREST STOCKS

Table with columns: Issue, Price, Change, etc. Lists fixed interest stocks and their performance.

"RIGHTS" OFFERS

Table with columns: Issue, Price, Change, etc. Lists rights offers and their performance.

FT UNIT TRUST INFORMATION SERVICE

Main table listing various unit trusts, their managers, and performance metrics. Includes sub-sections like 'British Unit Trusts', 'Foreign Unit Trusts', etc.

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10 Cannon St., London, EC4A 4BF.  
Telephone: 01-248 8000. Ext. 4657.

F.T. CROSSWORD PUZZLE No. 6,106

CROSSWORD PUZZLE grid with clues and numbers.

ACROSS  
1 He helps the man inside as it's moving (9)  
6 For about a pound a blue permit (5)  
9 Face worker for a short time before retiring again (5)  
10 Former war minister gives room key to Russian leader (9)  
11 Need Sid's terrible joke, included at leisure (10)  
12 Superior car production gets hard (4)  
13 So do the twist, relieved (7)  
14 Locate the American returning it in the middle of tea break (7)  
15 He left in a toboggan which was borrowed (7)  
16 Consider those getting potted fish in (7)  
17 For six months my host (4)  
18 Tactics end; it spoils Eric's novel when included (10)  
19 Scruffy Nigel, a man that's careless (9)  
20 Book a pound lost (5)  
21 Retiring publicity man is outshined (5)  
22 Throws net around Lancashire and the Lake District (9)  
DOWN  
1 Intended to help myself on going inside (5)  
2 Stands dancing, only to rock (3)  
3 Got rid of unruly through entering fortress (10)  
4 Embarrassing weekend in a hospital room (7)

Solution to Puzzle No. 6,105  
ACROSS  
1 He helps the man inside as it's moving (9) - INSIDE  
6 For about a pound a blue permit (5) - PERMIT  
9 Face worker for a short time before retiring again (5) - FAREWELL  
10 Former war minister gives room key to Russian leader (9) - KENNEDY  
11 Need Sid's terrible joke, included at leisure (10) - JOKE  
12 Superior car production gets hard (4) - HARD  
13 So do the twist, relieved (7) - RELIEVED  
14 Locate the American returning it in the middle of tea break (7) - TEA  
15 He left in a toboggan which was borrowed (7) - BOGGAN  
16 Consider those getting potted fish in (7) - FISH  
17 For six months my host (4) - HOST  
18 Tactics end; it spoils Eric's novel when included (10) - TACTICS  
19 Scruffy Nigel, a man that's careless (9) - NIGEL  
20 Book a pound lost (5) - POUND  
21 Retiring publicity man is outshined (5) - OUTSHINED  
22 Throws net around Lancashire and the Lake District (9) - NET  
DOWN  
1 Intended to help myself on going inside (5) - INSIDE  
2 Stands dancing, only to rock (3) - ROCK  
3 Got rid of unruly through entering fortress (10) - FORTRESS  
4 Embarrassing weekend in a hospital room (7) - HOSPITAL

AUTHORISED UNIT TRUSTS & INSURANCES

Table listing various insurance and unit trust products, including Waverley Asset Management Ltd, City of Edinburgh Life Assurance, and City of Westminster Assurance.

Table listing various insurance and unit trust products, including Hill Samuel Life Assur. Ltd, Hill Samuel Life Assur. Ltd, and Hill Samuel Life Assur. Ltd.

Table listing various insurance and unit trust products, including H & G Group, H & G Group, and H & G Group.

Table listing various insurance and unit trust products, including National Provident Institution, National Provident Institution, and National Provident Institution.

Table listing various insurance and unit trust products, including Provincial Life Assurance Co Ltd, Provincial Life Assurance Co Ltd, and Provincial Life Assurance Co Ltd.

Table listing various insurance and unit trust products, including Abbey Life Assurance Co Ltd, Abbey Life Assurance Co Ltd, and Abbey Life Assurance Co Ltd.

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Table listing various insurance and unit trust products, including Imperial Life (UK) Ltd, Imperial Life (UK) Ltd, and Imperial Life (UK) Ltd.

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Table listing various insurance and unit trust products, including Arma Life Assurance Co Ltd, Arma Life Assurance Co Ltd, and Arma Life Assurance Co Ltd.

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INSURANCE, OVERSEAS & MONEY FUNDS

Table of insurance and overseas funds including companies like Overseas Life Assurance Co., Standard Life Assurance Co., and various international investment funds.

Table of money funds and investment services including companies like Fidelity International, Henderson Admin, and various international investment funds.

Table of money funds and investment services including companies like Schroder Mgmt Services, Warburg Investment Management, and various international investment funds.

Table of money market bank accounts including companies like The Citizens Deposit Fund, The Money Market Trust, and various international investment funds.

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TRADITIONAL OPTIONS 3-month call rates

Table of traditional options and 3-month call rates including companies like Allied-Lloyds, BNP, and various international investment funds.

COMMODITIES AND AGRICULTURE

European Commission agrees to barley sale

BY TIM DICKSON IN BRUSSELS

THE EEC yesterday agreed to the open-market sale of 142,000 tonnes of its barley at Ecu 116 a tonne, amid speculation the Soviet Union may for the moment be more interested in barley than wheat.

Terms for 'ageing' butter sales announced by EEC

BY TIM DICKSON

THE NIGHTMARE of EEC dairy overproduction was graphically emphasised yesterday when the European Commission announced the terms of its first sale of 'ageing' butter to the Community's animal-feed manufacturers.



Frans Andriessen had been hoping

It has been dubbed, probably cost considerably more when bought three or more years ago. On top of this, storage per year costs about Ecu 400 a tonne.

Mr Frans Andriessen, EEC Farm Commissioner, is understood to have been hoping to obtain at least Ecu 150 from the animal-feed trade but the cost of alternative raw materials has been falling.

The readiness in Brussels to accept a substantially lower price is a sign of the inability to halt the steadily mounting dairy surplus.

Figures issued this week showed that the 'butter mountain' had reached a record peak of 1,388m tonnes at the end of last month, while skimmed milk in stores stands at about 700,000 tonnes, or double the level of a year ago.

Strategic metals reserves 'double'

BY JIM JONES IN JOHANNESBURG

FOUR YEARS of seismic research by South Africa's Geological Survey (GS) has indicated that the country's platinum, chrome and vanadium reserves might be twice what was initially believed. However, though the findings are of academic interest they are unlikely to influence production patterns until well into the next century.

China's metal imports pattern changing

BY ANDREW GOWERS

CHINA'S NON-FERROUS metals industry offers greater long-term opportunities for foreign companies interested in providing knowledge, equipment and capital than to traders wanting to sell it metals and minerals, says a report by Metals and Minerals Research Services, a London-based consultancy.

Canadian strike raises softwood prices

BY DAVID OWEN IN CHICAGO

SOFTWOOD LUMBER prices have risen on North American cash and futures markets this week in reaction to a month-old strike by Canadian loggers and saw-millers. September-delivery lumber on the Chicago Mercantile Exchange was yesterday continuing to edge towards the contract high of \$182.40 per 1,000 board feet, the standard industry measurement.

Some US aluminium plant staff back at work

By David Owen

WORKERS at several strike-bound US aluminium plants have returned to work in recent days, although disputes at four major installations with a combined capacity of more than 800,000 short tonnes a year continue.

Indonesia lifts gold and silver ban

INDONESIA YESTERDAY lifted a ban on gold and silver exports in anticipation of doubled gold production from newly-exploited mines, the Trade Ministry said in Jakarta.

Argentina achieves record soy crop

A RECORD SOYA crop has been achieved in Argentina this year, estimated at 7.2m tons, by both private-sector and government sources. The harvest, just finished, is 8.8 per cent up on last year's and showed average yields at 2.2 tonnes per hectare, 10 per cent higher than estimates made earlier in the growing season.

Norway's fish exports rise

NORWAY'S EXPORTS of fresh and bulk-frozen fish and shellfish in this first half were 13.3 per cent higher in value and 31 per cent higher in volume than in the corresponding period last year. Exports totalled 67,700 tonnes, worth Nkr 1,548m. Farmed salmon and shrimps represented 22.7 per cent and 17.4 per cent of total value.

India's black pepper sets records

INDIA'S PRODUCTION and export of black pepper in the year to August 21 set a record at 650,000 tonnes and 50,000 tonnes respectively, against 40,000 tonnes and 25,000 tonnes in the previous year, writes P. C. Mahant in Calcutta.

Philippines rice output up 11%

RICE PRODUCTION by the Philippines rose 11 per cent in the crop year ending June, to 9.1m metric tonnes, from 8.2m metric tonnes in the previous crop year, Reuter reports from Manila.

LONDON MARKETS

PRECIOUS METALS prices firmed strongly once again in London yesterday, with gold closing at \$333.25 an ounce, up \$5.25 on the day, and platinum finishing at \$666, up \$22.50 and at a new five-year high.

The main bullish influence came from the New York platinum futures market, where there was strong speculative buying in reaction to continuing concern about the South African situation and a tight short-term supply situation.

South Africa is the source of about 85 per cent of the Western world's platinum supplies. Dealers said gold, of which just over 50 per cent of the West's supplies come from South Africa, was receiving most of its momentum from platinum.

LME prices supplied by Amalgamated Metal Trading. Unofficial + or - High/Low (p.m.) - High/Low \$ per tonne. Cash 768.9 - 16.5 766.5 761.5 - 2 763.767

Official closing (am): Cash 775.5-5.5 (965.5-6), three months 877.3 (965.4), settlement 878.5 (866). Final Korb close: 756.7. Turnover: 22,250 tonnes.

Official closing (am): Cash 277.5-7.5 (965.5-6), three months 277.3 (965.4), settlement 278.5 (866). Final Korb close: 271.5-2. Turnover: 6,975 tonnes. US Spot: 217.5-4.75 cents per pound.

Official closing (am): Cash 267.5-7.5 (965.5-6), three months 267.3 (965.4), settlement 268.5 (866). Final Korb close: 261.5-2. Turnover: 28,575 tonnes.

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US MARKETS

PLATINUM soared on continued technical buying, traded up to the daily high of \$25, while gold and silver followed the trend, reports followed the trend, reports followed the trend, reports followed the trend.

There was no new fundamental news and the platinum market is tending to overfeed on itself, although demand for platinum outpaces supply a continuing slowdown in the US economy could change the equation.

Gold closed higher on speculative buying. Buy-steps were said to exist over \$331.50, basis December. Silver was also moody firmer but lagged behind gold and platinum.

Cocoa futures firmed on good trade and industry buying. Good buying from European and US manufacturers was likely of the main feature, indicating renewed interest and a feeling that the market may be at the bottom of its range.

NEW YORK ALUMINIUM 40,000 lb. cents/lb. Prev Close High Low Prev

Aug 22 51.80 51.80 51.80 51.80 Aug 21 51.80 51.80 51.80 51.80 Aug 20 51.80 51.80 51.80 51.80

COCOA 10 tonnes, 4/tonnes. Prev Close High Low Prev

Aug 22 198.50 198.50 198.50 198.50 Aug 21 198.50 198.50 198.50 198.50 Aug 20 198.50 198.50 198.50 198.50

CHICAGO LIVE CATTLE 40,000 lb. cents/lb. Prev Close High Low Prev

Aug 22 89.50 89.50 89.50 89.50 Aug 21 89.50 89.50 89.50 89.50 Aug 20 89.50 89.50 89.50 89.50

COPPER 25,000 lb. cents/lb. Prev Close High Low Prev

Aug 22 57.50 57.50 57.50 57.50 Aug 21 57.50 57.50 57.50 57.50 Aug 20 57.50 57.50 57.50 57.50

SOYBEAN MEAL 50,000 lb. cents/lb. Prev Close High Low Prev

Aug 22 115.00 115.00 115.00 115.00 Aug 21 115.00 115.00 115.00 115.00 Aug 20 115.00 115.00 115.00 115.00

WHEAT 5,000 bu. cents/bu. Prev Close High Low Prev

Aug 22 3.50 3.50 3.50 3.50 Aug 21 3.50 3.50 3.50 3.50 Aug 20 3.50 3.50 3.50 3.50

RUBBER PHYSICALS - The London market opened about unchanged, attracted little interest throughout the day and closed 1/2 cent lower at 200.00.

CLAUDE OIL (LIGHT) 42,000 US gallons, 3/tonnes. Prev Close High Low Prev

Aug 22 15.00 15.00 15.00 15.00 Aug 21 15.00 15.00 15.00 15.00 Aug 20 15.00 15.00 15.00 15.00

CRUDE OIL (HEAVY) 42,000 US gallons, 3/tonnes. Prev Close High Low Prev

Aug 22 14.00 14.00 14.00 14.00 Aug 21 14.00 14.00 14.00 14.00 Aug 20 14.00 14.00 14.00 14.00

WHEAT 5,000 bu. cents/bu. Prev Close High Low Prev

Aug 22 3.50 3.50 3.50 3.50 Aug 21 3.50 3.50 3.50 3.50 Aug 20 3.50 3.50 3.50 3.50

GRAINS What remained firm throughout the day and reached new contract highs. Trades were well mixed with country grain buyers on both sides of the market.

WHEAT 5,000 bu. cents/bu. Prev Close High Low Prev

Aug 22 3.50 3.50 3.50 3.50 Aug 21 3.50 3.50 3.50 3.50 Aug 20 3.50 3.50 3.50 3.50

BARLEY 5,000 bu. cents/bu. Prev Close High Low Prev

Aug 22 1.50 1.50 1.50 1.50 Aug 21 1.50 1.50 1.50 1.50 Aug 20 1.50 1.50 1.50 1.50

MEAT MEAT COMMISSION - Average fatness prices for representative markets.

LIVE CATTLE 40,000 lb. cents/lb. Prev Close High Low Prev

Aug 22 97.00 97.00 97.00 97.00 Aug 21 97.00 97.00 97.00 97.00 Aug 20 97.00 97.00 97.00 97.00

LIVE PIGS 40,000 lb. cents/lb. Prev Close High Low Prev

Aug 22 99.00 99.00 99.00 99.00 Aug 21 99.00 99.00 99.00 99.00 Aug 20 99.00 99.00 99.00 99.00

SUGAR PARIS (FFP per tonne): Oct 1241-1245, Dec 1220-1225, March 1200-1205.

POTATOES Without fresh news and direction and in the face of an unimproving physical market, futures were mixed.

GAS OIL FUTURES Premium gasoline: 164.187 +2.8

PETROLEUM ARGON estimates. Turnover: 2,389 (2,627) lots of 100 tonnes.

CRUDE OIL - F05 per barrel - Sept. Arab Light 11.02 11.02 +1.78

CRUDE OIL - F05 per barrel - Sept. Arab Heavy 11.02 11.02 +1.78

CURRENCIES, MONEY and CAPITAL MARKETS

FOREIGN EXCHANGES

Dollar awaits a reaction

THE DOLLAR hovered around the day's lows yesterday, awaiting reaction to a cut in the US discount rate to 5 1/2 per cent. The reduction itself had been expected although the timing was a bit of a surprise. The fact that the US authorities did not wait until the beginning of next month tended to suggest an increased urgency in their desire to boost US economic growth and avoid a repeat of the potential banking problems associated with debt repayments.

£ IN NEW YORK

Table showing exchange rates for £ in New York with columns for August 21, Latest, and Prev. Close.

The D-Mark was fixed at Dkr 3.7745, up from Dkr 3.7835 on Wednesday, and touched Dkr 3.78 in the afternoon compared with an upper limit of Dkr 3.7576.

FINANCIAL FUTURES

Narrow range

TRADING WAS confined to a relatively narrow range in the London International Financial Futures Exchange yesterday. Initial reactions to Wednesday night's announcement of a half point cut in the US discount rate to 5 1/2 per cent was to take profits since it had been the timing not the direction of a move in rates that had been open to debate.

However, values recovered during the day to finish mostly little changed from Wednesday. Dealers showed renewed enthusiasm as rumours increased of a possible repeat of Wednesday's announcement and at least growing pressure on West German and Japanese officials to cut their discount rates.

The September Treasury bond price opened at 102.93 up from 101.28 and touched a low of 101.22 before coming back to close near to the day's high of 102.11 at 102.10.

LIFEE LONG GILT FUTURES OPTIONS

Table showing LIFEE Long Gilt Futures Options with columns for Strike, Date, and Price.

LIFEE US TREASURY BOND FUTURES OPTIONS

Table showing LIFEE US Treasury Bond Futures Options with columns for Strike, Date, and Price.

LIFEE £/\$ OPTIONS

Table showing LIFEE £/\$ Options with columns for Strike, Date, and Price.

LIFEE \$/£ OPTIONS

Table showing LIFEE \$/£ Options with columns for Strike, Date, and Price.

PHILADELPHIA 6% 2/7s OPTIONS

Table showing Philadelphia 6% 2/7s Options with columns for Strike, Date, and Price.

LIFEE EURO-DOLLAR OPTIONS

Table showing LIFEE Euro-Dollar Options with columns for Strike, Date, and Price.

LONDON SE 2/7s OPTIONS

Table showing London SE 2/7s Options with columns for Strike, Date, and Price.

CHICAGO 6 3/8 U.S. TREASURY BOND (GBT)

Table showing Chicago 6 3/8 US Treasury Bond (GBT) with columns for Strike, Date, and Price.

CHICAGO 3-MONTH EURO-DOLLAR (RBM)

Table showing Chicago 3-Month Euro-Dollar (RBM) with columns for Strike, Date, and Price.

MORGAN GUARANTEE CHANGE

1986-1987-1988 Morgan Guaranty Change: 1986-1987-1988 1986-1987-1988 (base average 1978-1980).

US TREASURY BONDS

Table showing US Treasury Bonds with columns for Date, High, Low, and Prev.

CERT. DEPOSIT (NMM)

Table showing Certificate Deposit (NMM) with columns for Date, High, Low, and Prev.

OTHER CURRENCIES

Table showing other currencies with columns for Date, High, Low, and Prev.

STERLING INDEX

Table showing Sterling Index with columns for Date, High, Low, and Prev.

EMU EUROPEAN CURRENCY UNIT RATES

Table showing EMU European Currency Unit Rates with columns for Currency and Rate.

FT LONDON INTERBANK FIXING

Table showing FT London Interbank Fixing with columns for Currency and Rate.

LONDON MONEY RATES

Table showing London Money Rates with columns for Term and Rate.

NEW YORK RATES

Table showing New York Rates with columns for Term and Rate.

MONEY RATES

Table showing Money Rates with columns for Term and Rate.

EURO-DOLLAR INTEREST RATES

Table showing Euro-Dollar Interest Rates with columns for Term and Rate.

Company Notices

MHANGURA COPPER MINES LIMITED

Mhangua Copper Mines Limited incorporated in Zimbabwe. Summary of the audited operating and financial results for the year ended 30 June 1986 with comparative results for the nine months ended 30 June 1985.

Notice of Meeting: Notice is hereby given that the Annual General Meeting of The Broken Hill Proprietary Company Limited will be held in the Great Hall, The Royal Exhibition Building, Nicholson Street, Melbourne, Australia, at Carlton on Tuesday 23rd September 1986 at 2.30 pm.



Business and Special Services

1. To receive and consider the Statement of Financial Position, the Statement of Profit and the Reports of the Directors and the Auditors in respect of the year ended 31st May 1986. 2. To elect Directors.

\$ WORLD VALUE OF THE DOLLAR

The table below gives the rates of exchange for the U.S. dollar against various currencies as of Wednesday, August 20, 1986. The exchange rates listed are mid-rate rates between buying and selling rates as quoted between banks, unless otherwise indicated.

Large table showing exchange rates for various countries and currencies, including columns for Country, Currency, and Value of Dollar.

BRITISH FUNDS

Table of British Funds with columns for Stock, Price, and % Change. Includes sub-sections for 'Shorts' (Lives up to Five Years) and 'Five to Fifteen Years'.

AMERICANS - Cont.

Table of American Stocks with columns for Stock, Price, and % Change. Includes sub-sections for 'Over Fifteen Years' and 'Uncollected'.

CANADIANS

Table of Canadian Stocks with columns for Stock, Price, and % Change.

BANKS, HP & LEASING

Table of Banks, HP & Leasing with columns for Stock, Price, and % Change.

INT. BANK AND OSEAS GOVT STERLING ISSUES

Table of International Bank and Overseas Government Sterling Issues with columns for Stock, Price, and % Change.

CORPORATION LOANS

Table of Corporation Loans with columns for Stock, Price, and % Change.

COMMONWEALTH & AFRICAN LOANS

Table of Commonwealth & African Loans with columns for Stock, Price, and % Change.

LOANS

Table of Loans with columns for Stock, Price, and % Change.

Public Board and Ind.

Table of Public Board and Industrial Stocks with columns for Stock, Price, and % Change.

BEERS, WINES & SPIRITS

Table of Beers, Wines & Spirits with columns for Stock, Price, and % Change.

BUILDING, TIMBER, ROADS

Table of Building, Timber, Roads with columns for Stock, Price, and % Change.

LONDON SHARE SERVICE

BUILDING, TIMBER, ROADS - Cont.

Table of Building, Timber, Roads - Continued with columns for Stock, Price, and % Change.

DRAPERY & STORES - Cont.

Table of Drapery & Stores - Continued with columns for Stock, Price, and % Change.

ELECTRICALS

Table of Electricals with columns for Stock, Price, and % Change.

CHEMICALS, PLASTICS

Table of Chemicals, Plastics with columns for Stock, Price, and % Change.

DRAPERY AND STORES

Table of Drapery and Stores with columns for Stock, Price, and % Change.

ENGINEERING - Continued

Table of Engineering - Continued with columns for Stock, Price, and % Change.

HOTELS AND CATERERS

Table of Hotels and Caterers with columns for Stock, Price, and % Change.

INDUSTRIALS (Miscellaneous)

Table of Industrial (Miscellaneous) with columns for Stock, Price, and % Change.

INDUSTRIALS - Continued

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INDUSTRIALS - Continued. Table listing various industrial stocks with columns for stock name, price, and other financial metrics.

LEISURE - Continued. Table listing leisure-related stocks such as hotels, resorts, and entertainment companies.

PROPERTY - Continued. Table listing real estate and property-related stocks.

INVESTMENT TRUSTS - Cont. Table listing various investment trusts and funds.

FINANCE, LAND - Cont. Table listing financial institutions, banks, and land-related stocks.

MINES - Continued. Table listing mining stocks from various countries.

Regional & Irish Stocks. A section providing information about regional and Irish stocks, including a list of companies and their stock details.

LONDON STOCK EXCHANGE

Interest rate optimism soon quashed by the Bank of England

Account Dealing Dates
Option
\*First Declared Last Account Dealings Days Dealings Day Aug 11 Aug 28 Aug 29 Sept 2 Sept 1 Sept 11 Sept 12 Sept 22 Sept 15 Sept 30 Sept 26 Oct 6

A strong initial response to the US discount rate cut was quashed early yesterday when the Bank of England signalled to London financial markets that hopes of an immediate reduction in UK interest rates were premature.

The Federal Reserve Board's decision late the previous day to lower the discount rate to a nine-year low of 5 1/2 per cent surprised London traders. It immediately aroused hopes that West Germany would follow, and exert further pressure for a reduction in the high level of UK rates.

Equities were especially buoyant at the opening but the early mark-up was not sustainable and leading shares eased from their enhanced prices. Demand revived during the later morning as investors sought to challenge the downward drift and selected blue chips improved before settling down to await the US market's reaction to the news.

The Dow Jones index went higher at first but soon shed the gain. London seemed disappointed although it was assumed that Wall Street had probably discounted the interest rate move via its 18-point rise on Wednesday. In the London after-hours trade the tone cooled to falter and recede. FTSE 100 share index after posting a gain of 14.4 at 9.50, closed a mere 2.2 higher on the day at 1068.8.

The effects on the gilt-edged market were even more muted. Following two sessions of rising values, investors resigned themselves to await positive domestic developments, while professional operators were considering new funding initiatives, many think that the market will take the opportunity to announce a new issue of stock after the close of business today.

Goode Durrant up again
Goode Durrant and Murray continued to reflect speculation surrounding Impala Pacific's 20 per cent stake in the company and touched a new peak of 143p before closing 5 pence on 140p.

325p and Union added 13 at 643p, while Provident Financial put on 15 at 340p. Lloyds Broker C. E. Heath came on offer and fell 18 to a new low of 475p on concern about its Australian interests in the wake of a new law recently imposed.

Elsewhere, Composites reacted from a first start. Sun Alliance, scheduled to reveal interim results on September 8, chopped a couple of pence to 600p, after 696p. GRE, also due to report on September 8, closed a penny off at 836p, after 845p.

Helped by the prospect of lower interest rates, Buildings encountered selective demand. Tarmac was favoured at 472p, up 10, along with Cowi 6 to the good at 56p. Barratt Developments improved 4 to 144p, while J. Jarvis rallied 30 to 425p on the recovery in annual profits. Atwoods remained in demand at 186p, up 8, following the fact of forthcoming presentations of the company in the US.

High Street Retailers closed below best levels but still retained some noteworthy gains. Marks and Spencer improved 3 to 210p, while Dixons touched 388p before settling a net 4 up at 360p. Barlton hardened a couple of pence to 306p, after 302p, following the sale of its Hamleys toyshop business to Harris Queensway for £30m cash; the latter dipped 8 to 230p.

Queens Most hardened a fraction to 75p in response to the good interim figures, but Garfunkel's Restaurant added 1 1/2 higher at 30p, after 32p, while Wynham was also supported at 73p, up 5p.

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FINANCIAL TIMES STOCK INDICES
Table with columns for various indices: Government Sec, Fixed Interest, Ordinary V, Gold Mines, Div. Div. Yield, Total Returns (Est.), Equity Turnover, Equity Yield, Shares Traded (mln).

London Report and Latest Share Index: TEL. 01-246 8026
Day's High 1279.5, Day's Low 1267.1, Back 1200 Sect. 151026, Fiat Int. 1265, Ordinary 12735, Gold Mines 12955, SE Activity 1274 \*10-11.17.

with revived selling and fell 7 to 212p. Elsewhere, Brengreen rose 3 to 49p on the agreed revised offer from BET, while HAT Group improved a couple of pence to 216p, after 212p, following the rise in coffee prices. Eastern Produce gained 12 more to 292p, while Associated Fisheries improved 6 to 260p, after 254p, following a report that Mr Robert Maxwell had purchased a further 1.2m shares taking his stake in the company to 52.5 per cent.

Samuelson, a depressed market of late in reaction to the chairman's cautious statement, rallied 10 to 170p. Elsewhere in the Leisure sector, Radio City 'A' N/V improved 3 at 35p and Tyne Tees TV 'A' added 10 at 250p. Motor distributors presented a quietly mixed appearance. Lex Service rose 8 to 330p on renewed buying support, but ELS in Car Auction, firm of late mid persistent talk of an imminent bid from the US, encountered sporadic profit-taking and closed a few pence lower at 156p.

Revived American buying and a further improvement in crude oil spot markets prompted another round of widespread gains in the leading oils, many of which moved up to their best levels this year. BP and Shell led the sector higher with the latter closing 17 up at a 1986 high of 885p. BP ended the session 10 to the good at 635p, after 628p, while BPF added 6 at 132p amid talk of a stock shortage, while rises of around 3 were common to British, 133p, and LASMO, 123p.

Second-liners provided an outstanding feature in Century which raced up to 139p prior to closing a net 11 firmer at 137p, reflecting rumours of an imminent bullish circular from a leading broker, and revised takeover speculation. IC Gas, also the subject of bid rumours, edged up 3 to equal the year's high of 440p.

The latest strong showing by precious metal prices - especially platinum which topped \$570 an ounce during the late afternoon - prompted South African mining issues and, to a lesser extent, Australian golds.

Platinum provided the day's outstanding stock in Rustenburg which raced up to 740p during early dealings following substantial Johannesburg support before reacting to end the day 10 up at 685p. A report that the South African Government survey of the area in which Rustenburg operates indicated substantial platinum reserves was said to have triggered the Johannesburg buying.

Among South African Financials, a substantial shareholder in Rustenburg, rose a point to 681p, while Anglo American Corporation attracted good support to close 25 up at 750p. De Beers was a nervous market and eased a few pence to 413p, but Genbel moved up 12 to 537p ahead of the sharply increased preliminary profits and dividend.

Australian Golds rallied in overnight domestic markets and continued to gain ground in London, reflecting the firm government in bullion. Placer Pacific, Australia's biggest gold producer, made an impressive London debut - after a sparkling initial performance in Australia where the shares changed hands well in excess of twice the issue price of A\$1. Opening at around 98p on the London market, the shares touched 103p before reverting to 98p at the close. Among other Golds, Gold Mines of Kalgoorlie jumped 40 to 445p, Central Norseman put on 5 to 415p, after 410p, and Gwalia settled 6 better at 241p.

Good demand for Oils
Revived American buying and a further improvement in crude oil spot markets prompted another round of widespread gains in the leading oils, many of which moved up to their best levels this year. BP and Shell led the sector higher with the latter closing 17 up at a 1986 high of 885p.

EUROPEAN OPTIONS EXCHANGE
Table with columns for various options: Series, Vol, Last, Bid, Ask, etc.

TRADITIONAL OPTIONS
Table with columns for various options: Stock, Last, Bid, Ask, etc.

YESTERDAY'S ACTIVE STOCKS
Table with columns for various stocks: Stock, Closing Day's price change, etc.

WEDNESDAY'S ACTIVE STOCKS
Table with columns for various stocks: Stock, No. of Wed. changes, etc.

RISES AND FALLS YESTERDAY
Table with columns for various categories: British Funds, Corporations, etc.

FT-ACTUARIES SHARE INDICES

These indices are the joint compilation of the Financial Times, the Institute of Actuaries and the Faculty of Actuaries

EQUITY GROUPS & SUB-SECTIONS
Table with columns for various equity groups: CAPITAL GOODS, Building Materials, etc.

FIXED INTEREST
Table with columns for various fixed interest rates: British Government, etc.

NEW HIGHS AND LOWS FOR 1986

Table with columns for various companies: AMERICANS, etc.

BASE LENDING RATES

Table with columns for various banks: ABN Bank, etc.

LONDON TRADED OPTIONS

Table with columns for various options: CALLS, PUTS, etc.



WORLD STOCK MARKETS

AUSTRIA

Table of Austrian stock prices including Creditanstalt, Erste Bank, and others.

GERMANY

Table of German stock prices including AEG, Allianz, BASF, and others.

NORWAY

Table of Norwegian stock prices including Bergens Bank, Christiania Bank, and others.

AUSTRALIA (continued)

Continuation of Australian stock prices including Gen. Prop. Trust, Harte Investments, and others.

JAPAN (continued)

Continuation of Japanese stock prices including Dai Nippon Bank, Dai Nippon Ind., and others.

CANADA

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OVER-THE-COUNTER Nasdaq national market, closing prices

Large table of over-the-counter stock prices with columns for stock name, price, and change.

Hand delivery service information for various European cities including London, Paris, Frankfurt, and others.

LONDON Chief price changes

Table of London stock price changes for various sectors like Atwoods, BP, and others.

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NEW YORK STOCK EXCHANGE COMPOSITE CLOSING PRICES

Main table containing stock prices for various companies, organized by sector and alphabetically. Includes columns for stock name, price, and change.

Continued on Page 27

NYSE COMPOSITE CLOSING PRICES

Table of NYSE Composite Closing Prices. Columns include Stock, P, S, E, High, Low, Change, and various volume indicators. Includes a 'Sales' section at the bottom.

AMEX COMPOSITE CLOSING PRICES

Table of AMEX Composite Closing Prices. Columns include Stock, P, S, E, High, Low, Change, and various volume indicators.

OVER-THE-COUNTER Nasdaq national market, closing prices

Table of Over-the-Counter (Nasdaq) national market closing prices. Columns include Stock, Sales, High, Low, Last, Change, and various volume indicators.

